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THE ROUND TABLE

A QUARTERLY REVIEW OF THE
POLITICS OF THE BRITISH COMMONWEALTH

CONTENTS

Ireland

Meeting of the Imperial Cabinet

The United States and the Old World

Problems of Europe :

Reparations and Restoration—The Internal Condition of Germany

United Kingdom :

Current Politics—The Industrial Situation

India :

The Delhi Parliament

Canada :

The General Situation and Outlook—Racial and National Dilution—The Railway Problem—American Influences in the Dominion

Australia :

The Imperial Conference — The Financial Position in Australia

South Africa :

The General Election—Consequences of the Elections—Rhodesia and the Elections in the Union—Imperial and External Policy—The New Cabinet—Internal Policy

New Zealand :

Introductory—The Financial Statement—Trade—Credit—Taxation—Retrenchment—Transition—Currency—The Imperial Conference

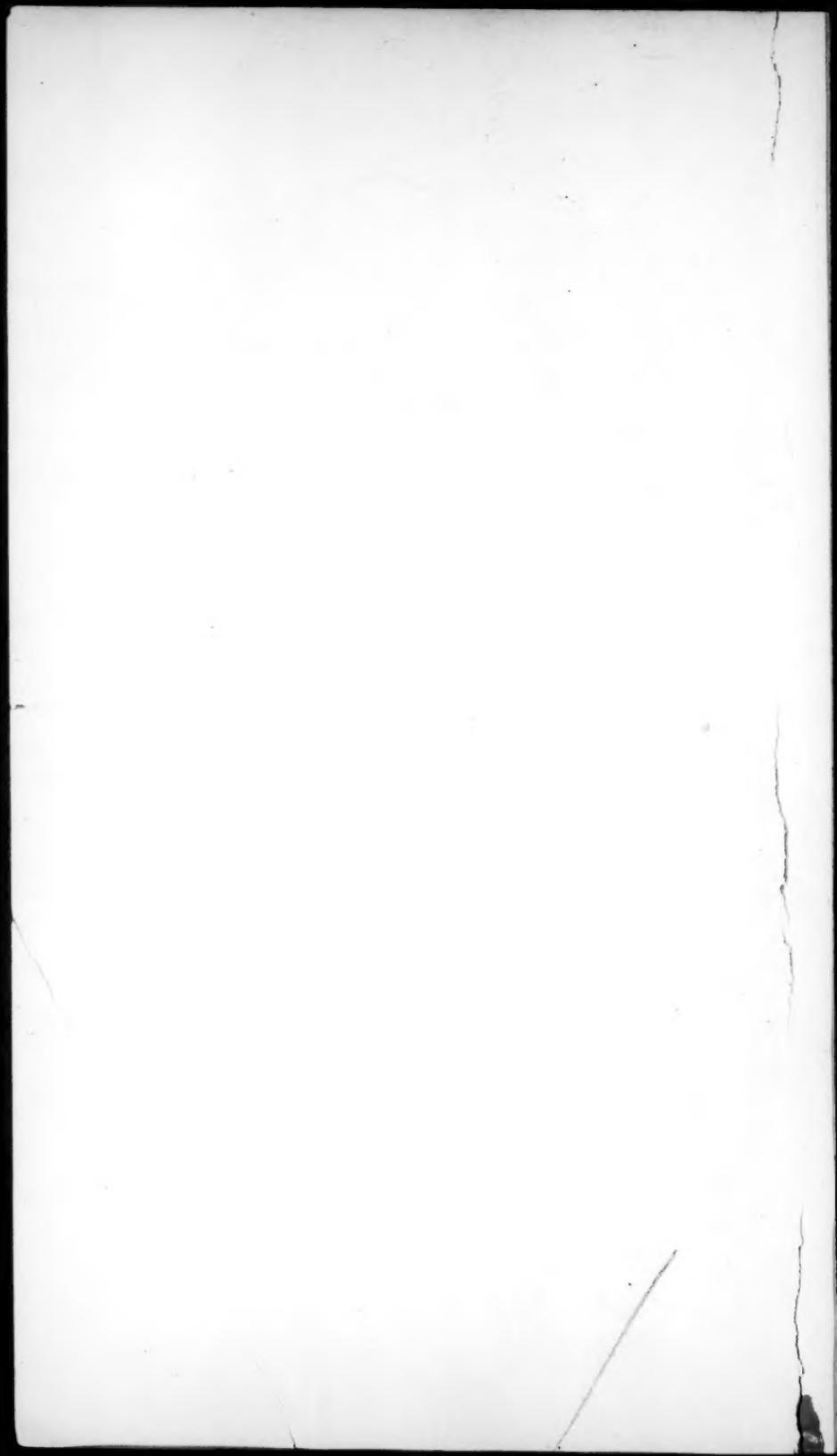
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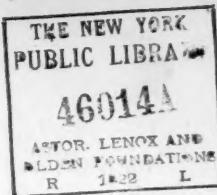
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IRELAND

I. THE BACKGROUND

THE history of Great Britain and Ireland shows how completely a political union may succeed in one case and fail in another. In various respects the Scots or the Welsh have remained as different from the English as the Irish have done. But the devotion of all three to the British Commonwealth exceeds that which they feel to England, Scotland and Wales. In the great mass of the Irish people political union has developed no such affection for the larger community in which they are merged. Their final devotion is still to Ireland.

The ultimate reason for this difference is, of course, due to the fact that the English, Welsh and Scots live on one island together and the Irish on another. Common ideas have constantly vibrated through the first three, though without destroying their racial distinctions. As with instruments attuned to each other, their strains though different result in harmony. The seas arrested this flow of vibrations between Great Britain and Ireland. And, to change the metaphor, the Island of Britain has since the Roman Empire stood like a wall between Ireland and Europe. Irish life has been like a plant grown in the shade, and its native beauty and charm has been "sicklied o'er with the pale cast of thought." Specific features of primitive society have outlived their age and become ingrained in the character of this people. And these in turn have reacted on the British in Ireland. To understand the problem it is necessary to trace cause and effect. The living

Ireland

have little to gain from attempts to apportion blame to the dead. Nor is the Anglo-Irish problem explained by assuming with Froude or Paul Dubois some particular strain of folly or wickedness inherent in the people of either country. It is seldom that a situation such as exists to-day can be laid to the exclusive charge of one of the parties, and in this case, too, there have been contributory faults on both sides.

The backward condition of Irish society made it powerless to resist the first Norman invaders. They were rapidly absorbed as chiefs in the tribal system, and strengthened thereby Ireland became a menace to whatever authority was sovereign in Great Britain. Hence a succession of reconquests by British forces under leaders who sought to appropriate Irish lands as their personal reward.

From the time of Henry VIII these conquerors were Protestants. After the Reformation the Episcopal Church was established in Ireland and endowed with tithes payable by the Catholic peasantry. The spiritual movement started by Wycliffe which transformed the religious life of England, Scotland and Wales had left Irish Catholicism intact. In Ireland the conflict of creeds is not the cause of the malady, but merely a symptom so violent as to complicate the essential disease. England drifted into holding down a backward, hostile and Catholic peasantry by a garrison of Protestant landowners distributed all over the country, and supported by Protestant colonies, of which the most powerful and permanent was that founded by Scottish Presbyterians in the North-East.

She was thus committed to a policy in conflict with her own institutions, the implications of which she scarcely began to grasp till the nineteenth century. The result has been what it would be in Kenya, if England relied on the planters to hold that colony.

From the days of Edward I the conquerors had a parliament of their own, to which in the eighteenth century only members of the Episcopal Church were admitted. This

The Background

Irish parliament enacted a series of laws designed to exclude the Catholic majority from all political power and to rob them of most of their civil rights. Every obstacle was put in the way of their holding land or of educating their children. The principle of conquest upon which their tenure of land was based was confirmed and reflected in the statute law. In Great Britain the landlord works in an agricultural partnership with his tenants. He provides and maintains buildings, gates and other improvements, and thus finds the greater part of the capital required in the industry. He even shares the economic rent, for the "prairie" value of the land is seldom rack-rented. The Irish tenant was required to provide all the improvements, including his own dwelling. But a rack-rent was exacted by putting the tenure to auction at the end of the year ; and if the existing tenant was outbid, he lost the value of all his improvements. The landlord was often an absentee, and if his agent went bankrupt or absconded with the rent, the tenant was liable to pay the rent over again. In England the landlord let farms at a moderate rent. In Ireland he let only land at a rack-rent. The system lasted till well past the middle of last century.

A population crushed by overwhelming force resorts to fear as its last weapon. It was thus that the African bushman poisoned his arrows. So the Irish peasantry never abandoned the habit of murder which is common to most primitive societies. The agents who extorted rents and tithes for absentee landlords, parsons and bishops went in fear of their lives. As Russia was an autocracy, so Ireland was an oligarchy tempered by assassination. There has never in Irish history been any long period wholly free from some epidemic of agrarian murder.

Discontent, however, was not confined to the Catholic peasantry. It was shared by the Protestant colonists of the north-east whose industries were discouraged in the interest of their British competitors by the commercial policy of the larger island, and further aggravated by laws

Ireland

which penalised Nonconformists. They were also obliged to pay tithes to the Episcopal Church.

The Irish Parliament, depending as it did merely on one part of the Protestant minority, leaned on British support. But none the less it resented the right, which the British Parliament asserted, to legislate for Ireland over its head. It was always in tacit antagonism to the Irish executive which took its orders from London. It strengthened its position by admitting the Nonconformists to political rights, and when Great Britain was brought to her knees by her own Colonies in alliance with France, the Irish legislature forced that of Great Britain to disclaim authority over Ireland. The executive still remained subject to the British executive, but could only obtain supply and enact necessary laws by consent of the Parliament at Dublin. In result all government was paralysed in Ireland. When Europe was convulsed by the French Revolution and Great Britain at death-grips with France, Nonconformist elements in Ulster, who were still bitterly hostile to Great Britain, coalesced with Catholic rebels. In alliance with France, their leader, Wolf Tone, raised a rebellion, which, before it was suppressed, had developed into a sanguinary struggle between Protestants and Catholics. The existing system had collapsed. The cure applied was that which had succeeded with Wales and Scotland. Ireland was incorporated with Great Britain in one executive and legislative union.

A few years later, while England was still in the throes of the struggle with France, the occasion was seized by Robert Emmet, who got into touch with Napoleon and raised a second rebellion. It was easily suppressed, and Emmet was hanged. But Tone and Emmet were enshrined as the martyrs of Irish nationalism. Their example remained to hallow future attempts to use the hour of England's weakness to throw off her yoke.

The union of 1801 was effected partly by virtue of a pledge given to the Catholics that Parliament would be asked to remove their disabilities, and admit them to the

'The Background

legislature. That promise was not fulfilled till 1829. The Union was thus made odious to the Catholic majority for three decades. When their leader, O'Connell, was at length admitted to Parliament, he gave them the repeal of the Union as their watchword. Thenceforward the idea that their existing place in the system was only to be used as a means to get out of it became a tradition. As the population of England grew while that of Ireland declined she retained a representation out of all proportion to her relative numbers or wealth. But this strength was little used to secure legal and social reforms. She never became incorporate in the larger unit as Wales and Scotland had done. To the majority of Irishmen Ireland loomed larger than the whole United Kingdom.

The abuses of the Irish land system continued to yield periodic harvests of agrarian crime. The repressive measures, to which Government was forced to resort, further tended to alienate feeling. Besides the reform of abuses, Ireland, like India, was in need of constructive measures. But paternal administration was contrary to the theories of an age dominated by the Manchester School. The peasantry remained backward, ignorant, and reckless. A progressive extension of large grazing farms restricted the area available for cultivation. Potatoes were their staple, and relying on a crop subject to disease, which cannot be stored for more than one season, the population had increased by 1846 to over 8,000,000. With the failure of the crop in that and the following year the people perished by hundreds of thousands. Then began a migration to America, Canada, Newfoundland, Australia and New Zealand. The poison of the Irish question was felt wherever the English tongue is spoken except, perhaps, in South Africa. The population was reduced to about 4,000,000, and the migratory habit thus created has since kept it at about that level.

Government was at length awakening to Irish necessities. But just at this time another factor began to tell. If the

Ireland

English, Scottish and Irish Parliaments had been left to deal with the separable affairs of the three kingdoms, and a federal assembly had been created to legislate on matters common to all, the history not merely of the British Commonwealth but of the whole world would have been different. As it was, one cabinet and parliament were charged with duties for which by the middle of the nineteenth century at least four were needed. When the will to meet Irish needs began to inspire Parliament, time adequate for the task began to fail. Some substantial reforms were, however, effected, though far too slowly. In 1869 the establishment of the Episcopal Church was abolished. In the early eighties farmers were given security of tenure, though the system of dual ownership gave rise to incessant friction. When Mr. Gladstone had failed to carry Home Rule, the Conservatives resolved "to kill the movement by kindness." Mr. Balfour, as Irish Secretary, introduced the constructive and paternal system which should have been applied in the earliest decades of the Union. In the closing years of the century measures were initiated for transferring the owners' right to the farmers, which in the greater part of Ireland removed the evils of the previous system. Though suspended with extraordinary levity by Mr. Birrell, they are now being carried to completion. These measures, together with a return of prosperity to intensive agriculture due to world causes, laid the foundations of the great movement which, under Sir Horace Plunkett, has made Ireland an example to the world in the field of co-operation.

The success of this movement shows how able the Irish are to help themselves when given a chance. The other reforms mentioned were mainly the work of a Government essentially British. But had Ireland as well as Scotland and England retained Governments competent to deal with the different interests appropriate to each, the reforms would all have been made by Irishmen for themselves, and much more quickly. They would in the process have

The Background

come in contact with facts, have learned toleration by many mistakes, and have fully acquired the habit of mind which comes with the exercise of responsible government. An inveterate belief in the efficacy of force is the fruit of her tragic history, and this surely she would have unlearned. As it was, she obtained from an over-centralised union the reforms she needed too late, and then without learning the lessons which the discipline of meting out justice between various sections of her own people would have taught. We have asked Irishmen of all parties what would have happened had Ireland in a genuine federal system acquired control of all her separable interests like Tasmania or Quebec. To this question we have always been given the same answer, that had this been done forty, twenty or even ten years ago the Irish question would now be a thing of the past. "Verily, verily, I say unto thee, when thou wast young thou girdedst thyself, and walkedst whither thou wouldest : but when thou shalt be old, thou shalt stretch forth thy hands, and another shall gird thee, and carry thee whither thou wouldest not."

While the policy of union has failed in Catholic Ireland, with the Protestants of the North-Eastern counties it has met with definite success. As the soil was poor so the native inhabitants were few and easy to displace from the part of Ireland most exposed to attack from Great Britain. The colonists brought their customs with them, and by sheer force of character imposed them on the landlords. The "Ulster custom" meant that tenants were entitled to compensation for improvements. By encouraging good farming it served the interests of landlord as well as of tenant. The principal industry, however, was textile, and the Union once for all settled the quarrel of the Irish weavers with those of Great Britain. The industrial revolution which began to make itself felt at the time of the Union tended to favour manufacture at the cost of farming, especially when free trade was adopted for the whole United Kingdom. Free trade meant that workers in the

Ireland

factories were to be fed from the cheapest food raised on the virgin lands of America. In the eighties the profits of agriculture in the United Kingdom were reduced to a minimum. Prices favoured the industrial as compared with the agricultural districts of Great Britain. The manufactures of Ulster flourished while farming languished in the rest of Ireland. In Ireland depopulation was intensified by defects in its land laws.

Religion served to intensify the contrast. In the eighteenth century autonomy for Ireland meant the rule of the Protestant minority. The Catholic emancipation reversed this position. Under the Union the North-Eastern counties of Ireland were thus bound to Great Britain by ties of business and religion as well as of race. In the course of the nineteenth century they became in effect as much part of the United Kingdom as Scotland or Wales. In their mutual relations Ulster and the rest of Ireland have points of resemblance to Ontario and Quebec in the time of Lord Durham.

The political creeds which have long struggled for the mastery in Ireland are three. There is first the creed of Unionism, professed by the minority mainly located in Ulster, who feel themselves as much citizens of the United Kingdom as the people of Great Britain. In the next place there are those who wish Ireland to remain in the British Commonwealth, as Newfoundland has done, but not as a part of the United Kingdom. Their methods are constitutional. Until 1916 a majority of the Irish people professed what may for convenience be termed the Nationalist creed. Lastly there has always been a section, till 1916 smaller in Ireland than America, which looked on England as a mortal foe, on the British Commonwealth as a thing to destroy, and on physical force as their necessary means. If they welcomed any measure of autonomy won by constitutional action, it was only as a stepping-stone to final separation, to be wrested from England in her hour of weakness by weapons of force.

The Background

The events which have almost destroyed the Nationalist Party, and converted a majority in all but the four North-Eastern counties to Republican methods and ideals must now be narrated. In the early nineties Douglas Hyde, a Unionist by politics so far as he had any, started a League for the promotion of the Gaelic studies of which he was professor. The League quickly developed into a movement not merely for studying Gaelic literature, but also for the revival of Gaelic as the national tongue. It gave birth to a wonderful literature which, though written in English, drew its inspiration from Gaelic legend. An association which aimed at substituting Celtic games for modern athletics attained to formidable numbers. In Dublin the names of streets were inscribed in Gaelic and in London Irish clerks collected after hours in the City to study the tongue. As in Germany, nationalism has reverted to tribal mythology. Plato was perhaps right in thinking that the study of legend may affect conduct.

Though the Gaelic League was founded with no political intention, it prepared the soil in which Arthur Griffiths, a journalist, planted Sinn Fein in 1905. His policy was based on the Act of 1783, by which Parliament had for ever disclaimed all right to legislate for Ireland. Griffiths proposed for imitation the course adopted by Hungarian patriots in ignoring the claims of Austria. His methods in their inception were similar to those since adopted by Ghandi in India. Sinn Fein, literally construed, means "We ourselves," and its implications are "Mind your own business, and leave us to ours." Its nearest English equivalent is "self-determination." With no conscious control of her own affairs Ireland thus developed an extreme particularism which blinded a great part of her people to the paramount issues of the great war.

II. THE CONSTITUTIONAL MOVEMENT FOR HOME RULE

ULSTER, a term we may use to denote the Protestant community in that province, was sternly opposed to Gladstone's Home Rule Bills. Gladstone, who could never understand how the Union has changed the attitude of the North, initiated the policy of reversing that measure without reference to Ulster opinion. His second failure made Ulster feel that even when the Nationalists held the balance of power in the Commons their position in the Union would always be secured by the Lords until the electoral pendulum had time to swing. But when the election of 1910 left the Government at the mercy of the Irish vote, Lloyd George conceived the idea of securing its support in abolishing the power of the Lords to veto Liberal proposals. So in 1912 Ulster was confronted by a measure which when thrice passed by the Commons would place the Protestant community with all its industries and wealth under the control of the rural and Catholic South. The measure had been drafted in close consultation with the Nationalist leader. The idea of giving similar powers to a Scottish, English and perhaps a Welsh provincial Government was considered and rejected on the ground that an English legislature would be normally Conservative and therefore in conflict with a Liberal Government for the United Kingdom. The alternative of excluding Ulster was also considered but rejected, a majority in the Cabinet deciding that the measure when passed must be enforced on Ulster. The Government felt themselves pledged to Redmond, and the measure was published without any attempt to consult or conciliate Ulster. Opinion there, which has always a Radical tinge, had shown signs of verging towards Nationalist ideals. The Cabinet's action checked and reversed this movement.

Constitutional Movement for Home Rule

The expedient of leaving the two communities to produce a measure of joint autonomy, as in all the colonies, was left untried. The Cabinet had yet to learn that one habit of mind was common to the whole of Ireland—to the North as well as the South—an inveterate belief in the efficacy of force.

The Bill was published on April 11, 1912. Unionists held that the last election had turned on the veto of the House of Lords, and that Government held no mandate to deal with Home Rule. On July 27 Mr. Bonar Law and Sir Edward Carson pledged the Unionist Party to support Ulster in any steps it might take to resist the measure. On September 28 the Covenant was signed throughout Ulster and the drilling of regular forces began. Carson defended his action by the plea that he could not restrain the violence of his supporters unless they were placed under military discipline. His attitude in threatening the British Government with force was openly praised by Sinn Fein. The Bill was rejected by the Lords and passed again on July 15, 1913, by the Commons. Sinn Fein continued to applaud the methods of Ulster, in contrast to those of the Nationalists, as alone worthy of Irishmen, and on November 25 John McNeill, Professor of Gaelic in the National University, started the Irish Volunteers to "maintain the rights and liberties common to all the people of Ireland."

On March 5, 1914, the Bill was introduced for a third time in the House of Commons. In Belfast a provisional government was in readiness to function the moment that the Bill became law. At last the Government decided to shake its finger at Ulster and mobilised naval and military forces. On March 20 General Gough and other military officers at the Curragh resigned. The affair ended in the retirement of Colonel Seely, the Minister of War, and Sir John French, the Chief of the Imperial General Staff, and the Government's threat fizzled out. On April 24 the Ulster Volunteers landed 40,000 rifles and 3,500,000 rounds

Ireland

of ammunition at Larne. Unionist leaders had forces encamped in England, and at last the Government realised that a civil war was impending which would spread to the whole country. Abortive conferences followed between Liberal and Unionist leaders which served, however, to delay a conflict which would otherwise have begun in both islands some weeks before Germany was ready for her blow. She was, indeed, counting on civil war to paralyse British intervention.

On May 25 the Government passed the Bill, but promised if any compromise could be settled with Ulster to pass an amending Bill. Meanwhile the original Bill was not presented for the Royal Assent. On June 17 Mr. Redmond assumed control of the Irish Volunteers, now 80,000 strong. On July 24 the conference of leaders summoned by the King at Buckingham Palace broke down. Two days later arms for the Irish Volunteers were successfully landed at Howth ; but three people were killed and thirty-two wounded by the fire of soldiers on a crowd. The Ulster leaders hourly expected the signal to seize the public offices in Belfast.

III. EFFECTS OF THE OUTBREAK OF WAR

THE sequel recalls that scene in the Castle of Front de Bœuf, where the Templar, de Bracy, and the Baron, each bent on his own violent purpose, are suddenly stayed by the blast of a horn from without, and rush to the battlements. Germany believed that its day had come, and England, knowing that freedom itself was at stake, accepted the challenge. So the word for which Ulster had waited was never sent, and Carson bade his forces prepare for battle in Belgium and France. The support of Nationalist Ireland was pledged by Redmond. The troops which had fired on an Irish crowd were greeted with cheers in the streets of Dublin.

Effects of the Outbreak of War

The event showed, however, that Redmond could no longer speak for Southern Ireland as a whole. When, on September 25, he appealed for recruits in Dublin, Professor McNeill and his party expelled him from the Irish Volunteers. Part of them followed Redmond and part McNeill. Redmond offered his part for the home defence of Ireland, and would no doubt have offered to send them to the front had he thought they would go. The offer was refused, and it is hard to see what else the Government could have done. To find soldiers for the front was a question of life or death for the country and its Allies ; and it must be remembered that the Germans would have broken through at the first battle of Ypres but for the last few hundred men that French was able to put into the line. Carson could scarcely have maintained his offer of troops for the front had it been understood that Nationalist regiments raised to enforce Home Rule on Ulster were to remain in Ireland intact as recognised forces of the Crown, while those raised to resist Home Rule were perishing at the front. This did not, however, prevent Redmond from appealing to his countrymen to confirm the grant of Home Rule by enlisting in the British Army. To begin with, this appeal, backed by the heroic example of his brother, met with considerable response. In April, 1915, Redmond estimated that 25,000 Nationalist Volunteers had enlisted, and that 250,000 Irishmen were with the colours.

In September the Home Rule Act received the Royal Assent, but an Act was passed suspending its operation until after the war. In May, 1915, the Coalition Government was formed in response to the voice of public opinion, which demanded that all parties should unite for the conduct of war. Redmond refused office, doubtless believing that if he accepted more of his followers would secede to McNeill. Carson accepted, and his inclusion in the Cabinet is now quoted in Ireland as proving that the Coalition Government henceforward went into definite alliance with Ulster against Nationalist Ireland.

Ireland

In January, 1916, conscription was imposed on Great Britain. Its application to Ireland was successfully opposed by Redmond, who would otherwise have lost the whole of his following. Hugh Martin, the *Daily News* correspondent, states that Sinn Fein "had been on the verge of extinction in 1914, and in 1916 its adherents were still few enough, though the finances of the party had certainly been improved in a somewhat mysterious way from American channels."^{*} Its organisation was distinct from that of the Volunteers who followed McNeill. That the latter were in collusion with the German General Staff is not in dispute. On April 20, 1916, Casement attempted to land arms from a German vessel, and was captured. On learning his failure, McNeill tried to call off the rising planned for Easter, and to a great extent succeeded. One group, however, broke away, and coalesced with another not under McNeill's control. The first of these groups was lead by Pearse, the second by Connolly, a Labour leader in Dublin. Pearse was a teacher, the son of an English maker of tombstones, a man of strongly religious bent, who prepared himself to oppose the Fenian movement by revolver practice. The son was an enthusiast whom his friends describe as a "man of Christlike character." He never expected the rebellion to succeed, but believed that his own death would convert Ireland to the Republican cause. Events have proved that his reading of Irish psychology was sound. Connolly, a man of admitted ability, had, with Larkin, led the Dublin strike in 1913. After its failure he formed a body called "the Citizen Army," largely composed of retired soldiers. His aim was a workers' republic, and his followers were Socialists first and Nationalists afterwards.

On Easter morning, April 24, Pearse and Connolly, with a limited number of followers,† seized the General

* *Ireland in Insurrection*, p. 35.

† The official communiqué on May 2 gave the number of prisoners, after the surrender of the rebels in Dublin, as one thousand.

Effects of the Outbreak of War

Post Office and other public buildings, shot at sight all who resisted them, and started a Republican Government. The leaders were, of course, responsible for what followed, but that is a different thing from saying that they authorised and ordered everything done. There was little discipline or control. Everyone in uniform became a mark for the rebels. Wounded and defenceless soldiers from France were, it was said, among the victims. Public opinion in Dublin condemned the outbreak, and a number of elderly citizens rendered signal service against the rebels. On April 27 Sir John Maxwell was sent to Ireland with plenary powers. On the 29th the leaders surrendered. Sporadic risings in various parts of Ireland were easily suppressed. The Irish Secretary, Mr. Birrell, resigned, and Lord Hardinge's Commission reported that inaction on his part was mainly responsible for allowing the movement to come to a head. The Easter Rebellion was the practical result of the failure to suppress the organisation of armed forces in Ulster in 1912. That neglect of their first duty had obliged Government to condone the subsequent organisation of more dangerous forces in the South not amenable to control, even by their recognised leaders.

In the three weeks following the rebellion the leaders were tried by court-martial, and fourteen were executed.* At the front discipline required that soldiers absent from duty should be shot, and to leave unscathed men who had conspired with the enemy to slay their own loyal compatriots was out of the question. The number executed was moderate, but the moral effect in the eyes of the world was largely destroyed by a British officer, Colthurst, who murdered Skeffington, a pacifist whose only crime had been opposition to recruiting. Colthurst was found to be insane, and was sent to an asylum. The executions, coupled with this story, sent a flame of anger through the

* See *The Grammar of Anarchy*, by J. J. Horgan, p. 10. The number given by Major Childers is sixteen.

Ireland

whole Irish world. In Canada recruiting amongst Irishmen came to a standstill, and an Irish minister in Queensland declared that while the Germans had shot only their enemies, like Miss Cavell, the British had been guilty of shooting their friends. All this, it is said, resulted from the cold-blooded action of the Government in spreading the executions over three weeks. The effect would have been different, it is urged, if the leaders had been shot at once in a batch. But in that event Government would certainly have been blamed for killing prisoners without trial. In Great Britain the outbreak was wrongly attributed to Sinn Fein. The mistake helped that organisation to bring the whole revolutionary movement under its ægis. But control passed from the intellectuals to leaders of a different type.

In May Asquith visited Dublin and returned convinced that the system of government from the Castle had broken down. Lloyd George was asked to negotiate with the Irish leaders. Redmond agreed to negotiate on condition, it is said, that if a settlement was arrived at with Carson, Lloyd George would resign unless the Cabinet carried it out, his reason being that Lloyd George was so necessary to the Government that the threat of his resignation would ensure this result. A settlement was then formulated under which Redmond and Carson agreed that Home Rule should come into immediate effect for the 26 counties, the six North-Eastern counties to remain as they were till after the war, when the final settlement of Ireland should be considered by an Imperial Conference in conjunction with the whole Imperial question. Meanwhile the Irish members were to remain at Westminster as at present. Carson, who was still a member of the Cabinet, went over to Ulster and successfully hazarded his great influence with his followers by inducing them to accept the agreement. He returned to London to find it wrecked, partly by a misunderstanding, partly by the refusal of the Cabinet, which had sent him to Ulster, to allow Ireland, pending the final

Effects of the Outbreak of War

settlement, to retain the existing number of its members at Westminster.

The misunderstanding had reference to the question whether after the war, when the time for a final settlement had arrived, Ulster undertook to accept the decision of the Imperial Conference as ratified by Parliament. Redmond believed that Ulster was bound by the agreement to accept this decision. Carson understood that Ulster was never to be made subject to a parliament at Dublin except by her own consent. Asquith settled the question so far as his Government was concerned by declaring that "we recognise and agree in the fullest and sincerest sense that such union can never be brought about without the free will and assent of the excluded area." But Redmond always refused to accept this position. It is likely, therefore, that in any case this misunderstanding would have wrecked the agreement. The reason, however, which Asquith gave for refusing to ratify the compact was that his Unionist colleagues declined to accept the provision whereby Ireland was to retain for the present her existing number of seats at Westminster. On this point a settlement was torpedoed which might have largely increased the forces available for the front, hastened the entry of America into the war, and have brought it to a much earlier close. The darkest chapter in the relations of these two islands would then never have been written. The chief responsibility for these consequences is in Ireland attributed to Lansdowne, who was presently appealing to the world for a peace which would have left the German power unbroken.

Lloyd George remained in the Government. In an article contributed to the *Freeman's Journal* of November 25, 1919, Mr. J. M. Tuohy, the London correspondent of the *New York World* purports to relate a conversation between the Prime Minister and himself which took place just when America was entering the war—that is to say, about eighteen months before he published it. At this

Ireland

interview the Prime Minister is represented as admitting the pledge. The explanation given is that Asquith refused his resignation when offered, on the ground that he was the one indispensable man in the Government, and that he yielded to the persuasion of McKenna and Harcourt. There was nothing to show, so Mr. Tuohy suggests, that the threat of his resignation was ever brought to bear on the rest of the Cabinet, including its Unionist members. We do not know whether the Prime Minister has ever traversed this statement of Mr. Tuohy. As the reader will see, we are not assuming the accuracy of these statements. In fairness it must be remembered that a British Prime Minister has scarcely the leisure required for giving his own version. But belief in this story is a factor in the Irish situation. It is this which Irishmen largely have in their minds when referring, as they constantly do, to "the great betrayal." To this more than anything is due the present distrust of any attempt to end the struggle by negotiations.

This fiasco ruined the position of Redmond in Ireland. The contempt poured by Sinn Fein on the constitutional methods of the Nationalist party was held to have been justified by the event. Nationalist supporters seceded wholesale to Sinn Fein. After the Rebellion, Irish contributions to the Army were negligible. A growing demand in Great Britain for the extension of compulsory service to Ireland then began to force the question of Home Rule into the background. This suited the tactics of Sinn Fein by offering Irishmen the strongest reason for denying the legislative authority of the Parliament at Westminster. On December 5, 1916, Asquith resigned, and his place was taken by Lloyd George. On March 7, 1917, the gallant Major Redmond made his last appeal in the House of Commons for an Irish settlement. Lloyd George replied, affirming that the Government was perfectly ready to grant Home Rule to the whole of Ireland outside the North-Eastern corner, but refusing to entertain the idea of forcing

Effects of the Outbreak of War

the measure on Ulster. The Nationalists, expressing deep disappointment, withdrew from Parliament, and issued an appeal to America and the Dominions. The terms of the appeal show that, while loyally clinging to the cause of the Allies, they felt that the ground was slipping from under their feet, and that Irish opinion was veering over to Sinn Fein.

On April 4 America declared war, and was thus in a position to bring new pressure to bear on the British Government in the matter of Ireland. On May 17 Lloyd George proposed two alternatives :—

(1) The immediate enactment of Home Rule excluding the six counties, such exclusion to be reconsidered at the end of five years unless the Council of Ireland proposed in the measure should first agree on a final scheme.

(2) Failing this, the reference of the whole question to an Irish Convention.

Redmond rejected the first and accepted the second proposal. On June 7 his brother was killed in France. On June 11 Lloyd George announced the constitution of the Convention. Sinn Fein, in accordance with its principles, refused to participate ; but the Government endeavoured to overcome the difficulty by appointing members like Lysaght and "A.E." [Russell], who could give some expression to their views. On June 17 the Sinn Fein prisoners were released as an act of indemnity, a matter of some importance, as the leaders were again free to throw their energies into the organisation of its forces. On July 10 De Valera, who had fought in the Easter Rebellion, was elected Member for East Clare, vacated by Major Redmond's death, by a large majority. On July 25 the Convention met and elected Sir Horace Plunkett as chairman. On August 10 another seat was won by Sinn Fein in Kilkenny. However, in the following February and March two elections were won by the Nationalists, the second doubtless in view of the feelings aroused by the

Ireland

tragic death of John Redmond. Their recovery, however, was short-lived.

On April 5, 1918, the Convention reported its failure to agree, but put forward a scheme acceptable to a majority of Nationalists and the Unionists in the South, who were led by Lord Midleton. The chairman has placed on record his view that the failure of the Convention was mainly due to a determination on the part of the Ulster Unionists to accept no scheme which included all Ireland under any form of autonomy. A different and rather less simple opinion has been expressed to us by a Nationalist who enjoyed every opportunity of observing the course of events. In his view, responsibility for failure must be distributed amongst three parties in varying degrees. Of these the members for Ulster were the first, but least responsible. They came to the Convention with clear and well-known objections to any change. It was, so he held, for the Centre Party, led by the Bishop of Raphoe, to find the means of overcoming those objections. As it was, they unconsciously played into the hands of the party responsible in the first degree for the failure—Sinn Fein, operating on public opinion outside the Convention in the interests of Germany. Sinn Fein itself would scarcely raise an objection to this view. Action opposed to constitutional settlement and alliance with Germany to that end are both strictly in accordance with the views they have openly professed.

In March the supreme effort of Germany was made on the Western Front, and throughout April the very existence of France and her Allies was hanging in the balance. The position could only be saved by calling up every man available between the ages of 18 and 50. It was difficult, however, to persuade public opinion that boys and grey-headed men should be sent to the front, while Irishmen of all ages, married or single, were free to keep out of the conflict. A large number of British shirkers were, indeed, known to have taken refuge in Ireland and to be masquerad-

Effects of the Outbreak of War

ing there as natives of the country. On the same day, April 5, 1918, that the report of the Convention was presented to Parliament Lloyd George announced the Government's intention of applying conscription to Ireland.

On April 16 the Conscription Act was passed by the Commons, the Government having announced its intention to introduce a Home Rule Bill forthwith and resign unless it was passed by the House of Lords. A scheme for Home Rule all round at this juncture figures in the public speeches of Ministers. The Irish members, who had returned to oppose conscription, again retired to organise resistance. Henceforward appeals to President Wilson were a prominent feature of the movement. The Roman Catholic Hierarchy opposed the enforcement of the Act with the whole weight of their authority. On May 17 the Government decided not to enforce conscription in Ireland. This was due, no doubt, partly to the conviction that they could not spare the necessary troops, and also to evidence that Irish conscripts would not be trustworthy. This decision, of course, involved a breach of the pledges on the strength of which a further extension of conscription had been accepted in Great Britain.

At the same time Government announced the discovery of a new plot to import arms from Germany in submarines. Doubts have been thrown on the reality of the evidence adduced. There was plenty of proof, however, of communications between revolutionary elements in Ireland and the enemy subsequent to the Easter Rebellion of 1916. In January, 1918, De Valera had announced that Germany at war with England was the natural ally of Ireland. A considerable number of persons were deported or interned under martial law, which had been in force since the Easter Rebellion, and lives were lost in various affrays. A settlement by agreement was contrary to the doctrines of Sinn Fein ; and, failing such agreement, there was, while the war was in progress, no alternative to the summary

Ireland

methods of martial law. But those methods antagonised large sections of the Irish people and transferred their sympathies to the Republican movement. They are now pleaded by Sinn Fein as a justification for the killing of policemen after the war.

On July 4 Lord Curzon announced that the Government, having suspended conscription, would propose no measure for Home Rule. On September 26 the old Nationalist party in Dublin made one last desperate bid for popular support by declaring "that the only satisfactory and durable solution of the Irish National question on which to found a treaty of peace between the Irish and British peoples is the establishment of national self-government for Ireland, including full and complete executive, legislative and fiscal powers." They had simply reverted, in fact, to O'Connell's cry for the repeal of the Union.

The tide of war had now turned against Germany; and as the prospect of peace came in sight President Wilson multiplied apophthegms. The stricken world swallowed them wholesale. Rich and luscious as honey, they offered nothing to bite on, and when kept for future application they lost the appearance of clarity and turned opaque. "Shall strong nations be free to wrong weak nations and make them subject to their purpose and interest?" And again: "All who sit at the peace table must be ready to pay the price, and the price is impartial justice, no matter whose interest is crossed." British statesmen hastened to declare that all the problems of the war were soluble in the alcohol of "self-determination," which was, as already said, merely the English version of Sinn Fein. It was also a solvent upon which Lenin was consciously counting for the disintegration of civilised society. The effect of this formula in refreshing the cause of Sinn Fein is attested on all sides in Ireland. On November 5 the Irish Party proposed a motion calling on the Government to settle the Irish question in accordance with Wilsonian

Developments After the War

principles. It was voted out, the Government declaring that Ireland was a domestic question, and that no outside interference would be tolerated. The Nationalists themselves adopted exactly the same position so far as the six counties were concerned. In proposing his formula as the solvent of all political problems, President Wilson had forgotten to ask himself whether the identity of the "self" was to be determined by racial, social and religious factors or those of geography.

IV. DEVELOPMENTS AFTER THE WAR

THE Armistice of November 11 was quickly followed by a general election in which the Nationalists lost all but 7 seats and Sinn Fein won 73. The Unionist North returned 26 members. The ruin of John Redmond's work was thus consummated, within a year of his death. Nationalist Ireland had passed over to the Republican camp *en masse*, and henceforth Ireland was for the most part divided between a majority passionately demanding the right to disown their status as British citizens, and a minority mostly segregated in the North-East just as passionately resolved to retain it. North and South were now separated by a gulf deeper than St. George's Channel. There is, of course, north of that line a Sinn Fein and Nationalist minority, and south of it a Loyalist minority, the strength of which can to some extent be inferred from electoral figures. The local government elections indicate a preponderance of Nationalist elements in two of the six counties, Fermanagh and Tyrone.

On January 21, 1919, the Sinn Fein members met at the Mansion House, Dublin, under the name of Dail Eireann (pronounced doyl or dawl airon), and proclaimed the independence of Ireland. On February 4 De Valera escaped from Lincoln prison and took refuge in America.

Ireland

There he conducted a campaign for raising an Irish Republican loan. An Irish-American delegation visited Paris to demand a hearing for the Dail Eireann at the Conference. On June 10 the American Senate supported their appeal by a resolution, and at the request of Lloyd George the deputation was received by President Wilson. On June 28 the Irish Dominion League organised by Sir Horace Plunkett issued a manifesto demanding Irish Home Rule. On July 12 Sir Edward Carson threatened to revive the Ulster Volunteers. On the 21st, in the debate on the Peace Treaty, Lloyd George denied the application of President Wilson's principles to Ireland. On the 23rd *The Times* published its plan for settlement of the Irish question on the lines of partition, and thereafter definitely transferred its support from the cause of Unionism to that of Home Rule.

A political system which means that every question beyond the scope of a county council must be dealt with by a Cabinet responsible for the greatest Empire in the world was now coming home to roost with a vengeance. While the Conference was remaking the map of the world in Paris, and Russia was planning to destroy the existing fabric of human society, Europe was faced by bankruptcy and famine. Over twenty minor wars were in progress in different parts of the world. In England itself social order was threatened by a series of strikes. Yet, though the mere tasks of converting the national organisation from purposes of war to those of peace were alone sufficient to occupy the whole time of the Cabinet, at this moment Ministers were attacked for not producing a scheme for solving the Irish problem. Their failure to do so was calamitous, but the blame lies not with Ministers but with the system. The Republican leaders, denied recognition at Paris, now resorted to the pistol and bomb.

In the force organised by McNeill they held in their hands a formidable weapon. Before the Easter Rebellion there were 80,000 names on the rolls. It must not be

Developments After the War

assumed that all these were available for the Irish Republican Army in 1919. But the war had arrested the stream of emigration, and the sons of farmers who would otherwise have left for America freely offered themselves as recruits. They are youths of intelligence and stalwart physique, of a class who would form the backbone of a yeomanry regiment. There is little slouching to be seen when they gather for a raid. Their straight backs and square shoulders betoken military training.

With such forces at their disposal the leaders would probably have ventured on open rebellion if matters had come to an issue before the war. But in 1919, realising the terrific power of modern artillery against troops in the open field, they resorted to the weapons with which centuries of agrarian oppression had familiarised Ireland. As formerly the landlords and their agents, so now the officers of Government became a mark for the bullets of assassins. The choicest flower of a splendid people were thus committed to methods of savagery destined to degrade themselves, their opponents, and their cause in the eyes of posterity.

The murder of police began in January, 1919. In peaceful times the Royal Irish Constabulary have always been popular with their fellow-countrymen, and were looked upon as friends. But whenever the country becomes disturbed they are soon regarded as traitors to their race. By the end of 1919 it was no longer possible for the police to obtain recruits in Ireland. On January 1, 1920, a recruiting office was opened in London. Men who had served in the war as N.C.O.s were selected, and as they were sent to Ireland faster than police uniforms could be made for them, they were dressed in khaki with black Glengarry caps. With ready Irish wit they were nicknamed "Black and Tans," after a pack of hounds for which Limerick is famous.

Still matters did not improve. The police were murdered and their barracks wrecked until the survivors were

Ireland

unable to venture beyond the stations they were able to defend. In whole districts the Government ceased to function, and the Dail Eireann began to adjudicate civil and criminal suits in courts of their own. Especially were they active in the centre of Ireland, where, despite the Land Purchase Acts, the existence of large grazing farms leaves the peasant's hunger for land unsatisfied. Claims to holdings, which in some cases were centuries old, came before these courts. Verdicts were determined, sometimes by English law, sometimes by the ancient laws of Ireland, but more often by the abstract notions of justice in the minds of the amateur judges, to the dire confusion of the lawyers who practised before them. One hears on all sides in Ireland that the justice done was rough and ready, but remarkably pure. The movement throughout seems free from a sordid taint. These informal judges were doubtless anxious to earn a high reputation for efficiency and justice.

They could, at any rate, enforce their awards, which the courts of the Crown could not do. Even loyalists were resorting to Republican Courts. Government might choose to regard them as arbitrations accepted by suitors. But the criminal courts of Sinn Fein were a direct challenge. To ignore it would have meant the most practical admission that Sinn Fein was ruling the country. Government decided to accept the challenge. Colonel Byrne, the chief inspector of police, was displaced, and Sir Hamar Greenwood became Irish Secretary and appointed General Tudor as police adviser to himself. General Macready, the head of the London Constabulary, was appointed Commander-in-Chief. The police are not under his command, except in districts where martial law is proclaimed.

In July, 1920, it was decided to organise a special auxiliary force of cadets. Admission to this corps was restricted to ex-officers of the Navy, Army, and Air Force. Dressed like the English recruits in the R.I.C., they are also described as the Black and Tans. The whole police force

Developments After the War

now includes upwards of 15,000 men, of whom nearly 1,500 are these auxiliaries. So strengthened, the police, backed by the Regular Army, began once more to take the initiative at the close of last summer. The streets of the towns and the country roads were paraded with armoured cars and searches for arms and rebels were prosecuted with vigour. Magistrates were able to sit once more and judges to go on circuit under police protection. The Sinn Fein courts were suppressed and its administrative organisation driven under ground. Constant searches have certainly made life much less comfortable or safe for the Irish Republican Army. Its active members must sleep either in the open country or else shift their quarters every night. In the parlance of the struggle, they are "on the run." But still the Government is able to administer only in so far as its officers are backed by visible forces. The country patrols are ambushed. Those in the towns are constantly bombed.

A first impression left by one of these parades in Dublin may be worth setting down. Grafton Street was filled with people in the hour before curfew when suddenly one was aware of an open lorry racing down the road, with auxiliaries in their black glengarries leaning out, their revolvers presented in readiness to fire. After it sped others of various types, some roofed with wire, others boxed in with bullet-proof plates and one, a jam-pot of steel, upright with a soldier's cap just visible below the half-opened lid, and machine gun muzzles protruding fore and aft. One felt of a sudden as if monsters of the pleiocene age had revisited the earth to dominate mortals and were issuing at nightfall to assert their power. Last and alone, one eyeless mastodon so clothed about with steel as to hide all hint of the driver or men inside, more vast and hideous than all his fellows, slowly ground his way through the crowd, confident in the might of his bombproof belly and back.

There was no sign that these feelings were shared by the people gaily thronging the street. Their demeanour was one of contempt rather than of fear. An experience so

Ireland

common had ceased to impress them. Yet every one of them knew that at any moment a bomb might fly from a side street, when triggers would be pressed, and the crowded thoroughfare would be singing with bullets. As often as not the bomb misses its mark and is fatal only to passers by. A few nights later, near this very point, a bomb thrown at a lorry fell by two little girls. Both were taken to the hospital, the eldest, who was only 13, with her head and abdomen so mangled that she died next day. The only person that runs no serious risk is the bomb thrower, who escapes down a side street, secure even from the bullets discharged from the rapidly moving lorry. The ambulance cars which follow these parades like beneficent vultures serve to remind one of all they mean.

One thought, too, of the boys on the lorries called to this odious task. Their courage at least has never been impugned. They had reason to know that they carried their lives in their hands. The sun had set but twice since a well-aimed bomb had landed in a lorry, killing the whole crew but one. The torn bodies of their comrades were even then awaiting their last parade, transfigured by no glory but that which a hateful task unflinchingly faced must always bestow. That youths to whom these islands owe the free air they still breathe should be matched in a struggle with their own kin, a conflict in which no sense of genuine triumph can be felt, is a tragedy deep as any that the world can show. And the tragedy becomes all the more poignant when one goes to Belfast, where a great majority of the people are on the side of the existing régime. There the lorries still patrol. But one often sees them halted, and the crews fraternising with the crowd, which affectionately strokes the armour and guns. They figure no longer as dominating monsters, but as guardians and friends.

Elsewhere the bulk of the population is on the side of Sinn Fein. It is this which enables them to reinforce their control by a terror which has no example except in

Developments After the War

Russia. A minor punishment is to banish the offender. For disobedience or delation they have as a sanction—death, ruthlessly enforced. We are constantly told that victims are tried before they are murdered. But a trial of which the accused has no knowledge is a thin salve to the conscience of assassins. In civilised courts the innocent are often condemned, in spite of every security which the law can devise to protect the accused. A typical case is that of the magistrate, Bell. The tramcar in which he was travelling in a Dublin street was suddenly boarded by armed men, who seized Bell. A nurse, the only person who offered to assist him, was threatened with instant death. Bell was dragged on to the pavement and slaughtered in cold blood. The tramcar proceeded on its way, leaving the corpse in the road, while the murderers strolled off with the sure knowledge that no witness would venture to bear testimony against them. And so this bloody struggle proceeds. By the end of 1920 182 police, 54 soldiers, and 46 civilians were officially reported to have been murdered by Sinn Fein. In the present year 94 police, 45 soldiers, and 68 civilians were killed between January 1 and April 4. It is not possible to say how many people have been killed by the Crown forces in the last year, but the number is said to be greater than those killed by Irish Republican forces.* Every Irishman outside the ranks of Sinn Fein feels that a chance word or a misinterpreted action may seal his fate. What security can he have against private animosity? Men of proven courage look over their shoulders while they are speaking, or break off a conversation if they hear a footstep behind the doors. Sources from which the Government may gather useful intelligence are stopped with relentless cunning. Stories and instances of the way the Terror works meet the traveller at every turn. A lady learns that an ambush is planned at her very door, and

* The figures given in the March number of *THE ROUND TABLE* (page 231) purport to be the casualties inflicted by Sinn Fein.—Ed.

Ireland

rushes in her motor to warn the police. A few days later she, with her car and its driver, vanish into space. Her friends learn that she is held in captivity in some place unknown. Presently members of the I.R.A. visit her house, turn the servants into the road, and burn the house with all its contents. A party dressed as police drop in for a meal with a Protestant farmer. Nothing doubting, he tells them what he knows of the I.R.A. in that district. When the meal is over they beckon their host outside, shoot him, and leave his house in flames. An old gentleman, in a humdrum office, such as one might see in a side-street near the Thames, explained to us that if his clerks ran to call the police to protect him from a raid they would suspect an ambush and refuse to come. There is no protection for private citizens. The agents of Sinn Fein go round the streets collecting money from door to door, from Nationalists and Loyalists alike. Women feel they can only refuse at the risk of their husbands' lives. In country districts much heavier sums are exacted from loyalists. A tradesman is notified that he must cease to buy some article of merchandise from Belfast. Some clerk in his office, or else in that of his friends at Belfast, is informing Sinn Fein of the details of his business. He well knows what the penalty is, and obeys. The powers of the central command are equal to conscription, so strong is the general sympathy which supports them. The only escape of many a young Irishman from joining the I.R.A. is to quit the country. The number emigrating to America is increasing by leaps and bounds. In 1919 the number of emigrants leaving Ireland was 2,975. In 1920 it was 15,531. In the first quarter of the present year it was 4,770, a figure which, if maintained, would mean an exodus of over 19,000 by January next. The following document will show how the central command proposes to deal with the problem.

Developments After the War

The following Proclamation has been issued :—

DAIL EIREANN.

EMIGRATION (SHIPPING AND EMIGRATION AGENTS) REGULATION.

WHEREAS it has been the consistent design of the English to weaken the Irish Nation by forcing the young and vigorous to emigrate :

AND WHEREAS to defeat this design DAIL EIREANN has decreed that no citizen of the Republic shall leave Ireland without permission of the proper authority :

NOW IT IS HEREBY ORDERED that henceforth Shipping and Emigration Agents shall not accept passage money from, or issue tickets or vouchers to, or otherwise deal with any intending emigrants from Ireland, save such persons as shall produce to such agents a printed Permit signed by the Minister for Home Affairs and sealed with the Seal of the Republic.

AND FURTHER that any Shipping or Emigration Agents or other persons offending against this regulation shall be deemed guilty of a grave offence against the welfare of the State in time of war and shall be dealt with accordingly.

DEPARTMENT OF HOME AFFAIRS.

8th April, 1921.

L.S.

Supplement to *Irish Bulletin*, Vol. 4, No. 72, Wednesday, April 20, 1921.

The agents realise that disregard of this notice means death at the hands of assassins who run little or no risk of detection. Murder can be done with almost as little impunity in broad daylight, with hundreds of spectators, as in private at the dead of night. Every eye-witness knows that if he offers to assist the victim revolvers will leap from the pockets of bystanders, or that if he gives evidence his life is not worth an hour's purchase after he leaves the court.

When Government threw its real strength into the struggle the military side of the Republican movement was certain to develop at the cost of its civil activities. Real control was then bound to gravitate into the hands of men with a genius for organising violence freed from such

Ireland

conventions as are still supposed to govern the conduct of civilised war. Of these, of course, the most important is the absence of uniform. It was, indeed, condoned in the Boer War ; but for practical purposes the main factor which distinguishes war properly so called from political murder must be that the taking of human life is confined to combatants dressed as such. In the streets of an Irish city the forces of the Crown are surrounded by foes with concealed arms who cannot be distinguished from civilians with whom they mingle.

A grave demoralisation of public opinion is one of the most terrible results. One hears people who frequent drawing-rooms in London and Dublin palliating murder. Homicide is said to shock the Irish mind far less than sexual laxity. Ireland has yet to learn the debt which it owes to a brave prelate who has not hesitated to denounce murder, even when done to advance a cause dear to his own heart. His flock have turned their back on him, and even his priests are said to have disregarded his injunction to refuse absolution for this crime. In happier days Cork will remember its Bishop as one who, like Father Mathew, was faithful to his Master's word, and served his countrymen best when he dared to tell them the truth.

From this, however, it must not be inferred that Catholicism has lost its hold on Republican Ireland. Members of the I.R.A. prepare for each desperate enterprise by attendance at mass for the purpose of "making their souls," in readiness for death. Yet every discountenance by the Hierarchy of their methods is apt to evoke the rejoinder : "We take our religion, not our politics, from Rome." The Church could only oppose the full forces of its spiritual authority to the criminal methods of Sinn Fein at the risk of its whole position in Ireland. Its open support, however, would still be given to a settlement which the great body of Catholic Irishmen were prepared to accept. To conceive the struggle as religious in character is in any case misleading. Protestants in the South do not

Developments After the War

complain of persecution on sectarian grounds. If Protestant farmers are murdered, it is not by reason of their religion, but rather because they are under suspicion as loyalists. The distinction is fine, but a real one.

In considering the question of reprisals it is necessary to remember the position by which the Government was faced last year. The police were paralysed and confined to the barracks which had not as yet been destroyed. They were freely murdered, and no means existed of bringing the murderers to justice. Popular support had enabled Sinn Fein to create a terror which was threatening to render their control of the country absolute. The police were ceasing to function. Numbers were resigning, and fresh recruits could not be obtained in Ireland. In any case the forces required to deal with this situation had to be drawn from Great Britain.

Such forces might be used on either of two principles or on both principles in combination. They might be employed to seize and remove all persons in active rebellion, or suspected of being so. The idea that a situation like this can be handled without hardship and injustice to innocent persons or with accurate reference to varying degrees of guilt is pure illusion. The delicate safeguards necessary to protect the innocent from all risk of injustice cannot be maintained when a revolution has to be faced. Any measures calculated to restore order in a disturbed country mean hardship and injustice to a large number of peaceful persons. This will still be so when a Government intends only to lay hands on the persons and property of those in active rebellion.

A second method which can be combined with the first is to meet terror with terror, with the purpose of making life so uncomfortable for the whole population that opinion instead of supporting the rebel forces will turn against them. It practically amounts to treating the whole population as the enemy, and unless it succeeds in crushing their spirit, it must end by driving all but a few into active

Ireland

sympathy with the rebel forces. The temptation to resort to this dangerous expedient is all the greater when the forces available are too small to occupy the whole country and sort out every person under suspicion.

We very much doubt whether the Government ever found time to think out the two methods available with the brutal frankness we have here used. The task of crushing the rebellion was entrusted to certain officers who were given a fairly free hand and assured of support from above. The conception that terror could only be met by terror had, we believe, developed in the minds of those officers, whether consciously or otherwise, and influenced their methods. In selecting their recruits they looked for daring, initiative and resource, and less than they would otherwise have done for the character expected in a disciplined police. Nor was time available for instilling the discipline. The name of "Black and Tans" shows that the men were rushed out quicker than uniforms could be made for them. The war had created a copious supply of men available for the purpose. Their experience in the trenches or the Air Force was calculated to produce reckless courage rather than respect for life or property. A long war, moreover, always leaves a mass of combatants who are afterwards fitted for little but fighting. The residuum of soldiers who had not obtained civil employment at the time English recruiting started for the Irish police would contain many of this type. Men who were soldiers of fortune by nature had been drawn to this country from all over the world and remained unemployed. Such men are not easily amenable to discipline, and have often formed intemperate habits. There is, according to the evidence of witnesses who cannot be suspected of disloyalty, a good deal of drinking among them. In the I.R.A., on the other hand, temperance is said to be rigidly enforced. Sinn Fein cannot afford to be served by babbling tongues. But the nervous strain under which police and auxiliaries are living must always be remembered. It is said to be worse than

Developments After the War

in the trenches. They are never free from the risk of bullet or bomb. There are no rest billets in Ireland. Under such conditions the bravest man is tempted to find relief for his nerves in drink. There is, on the other hand, a conspicuous absence of charges connected with women.

The new police are also accused of looting, and, indeed, men with a record of distinguished service during the war have been convicted of this crime. One of their most important duties, that of searching houses for rebels and arms, exposes the searchers to great temptation. The growth of laxity in this matter can only be suppressed by the sternest discipline. At the outset such discipline was lacking, though every effort is now, we believe, being made to enforce it.

In dealing with the question of unauthorised reprisals it is necessary to guard against the inevitable fact of exaggeration. The Irish are a highly imaginative and emotional people with a singular faculty for expressing their feelings in words ; and the words once uttered become to themselves an accurate and ineffaceable picture of the facts. The truth of these matters cannot be obtained even from written affidavits, still less from the stories current in Ireland. It can never be reached except by a commission of experts in the art of cross examination, armed with the fullest powers for sifting evidence. Even so there will always be a large residuum of cross-swearing, the rights of which the most experienced judges will not be able to determine. Visitors like ourselves have to depend upon evidence which is generally second-hand, and often far from impartial ; but no one can have any doubt that the reprisals have stopped short neither at the taking of life nor at the destruction of property. The best we can do is to offer impressions formed after visiting the country.

An account of one notorious episode, which was obtained from a trustworthy source in the district, may enable the reader to see the truth in relation to some of the stories to which it gives rise. Last autumn a party of police was

Ireland

ambushed at Kilmichael, near Cork. Every member of the party but one was killed, and the bodies were shamefully mutilated. It is alleged by Sinn Fein that a white flag was put up by the police, and that when the attacking party approached to accept the surrender fire was opened upon them. The statement is *ex parte*, and the effect which the sight of the mangled corpses had on the minds of their comrades recently brought to the country can be imagined. In the absence of strict discipline, a feeling in favour of some terrible reprisal was sure to flame up on the next provocation.

Three weeks later a bomb was thrown into a lorry in Cork which killed one man and wounded another. This was in the evening, and an hour later flames began to break out in the principal streets of Cork. We have no reason to doubt that the conflagrations were started by men in the Crown Forces. The drapery stores were a special object of attack, because the shopwalkers were believed to be active members of Sinn Fein. But the owners of the property destroyed were, it appears, in some cases known Loyalists. One shop at least was looted by the Auxiliaries. In the confusion which followed, the criminal underworld of Cork broke out and joined in the pillage. Large quantities of goods were recovered next day by emissaries of Sinn Fein and restored to the owners. Whether the criminals themselves resorted to arson no one can tell. Eventually the Town Hall and Carnegie Library burst into flames. These public buildings can scarcely have contained goods such as would tempt ordinary criminals to arson.

The company of Auxiliaries then in Cork was removed to another station. A lorry containing sixteen members of this company was sent on a patrol under the command of a cadet called Hart, a close friend of the man killed by the bomb an hour before the Cork fires broke out. On this journey he murdered a boy and an old priest called Canon Magner. The resident magistrate, who was close by, narrowly escaped his violence. He was tried for his life, and

Developments After the War

four mental experts sent over from the Home Office pronounced that he was insane in so far that he was not responsible for the act when he committed it. The Government, not satisfied with this report, sent two other experts, who endorsed the previous opinion of the four. In this connection reference must be made to the recent controversy in the *Times* between lawyers and mental experts, which shows a serious conflict of view on this subject. Lawyers will send to the scaffold homicides whom the mental expert would only commit to an asylum. But when we remember the case of Colthurst it is not surprising that Irishmen think that one standard is applied to the forces of the Crown and another to the agents of Sinn Fein.

Another comment is made in this country as well as in Ireland. Even granted that Hart was mad, why was no punishment meted out to the sixteen men who sat on the lorry and did nothing while Hart perpetrated his crime? To this comment we saw no answer till we learned what really happened. Hart stopped the lorry and proceeded a long way down the road. He was followed by two other cadets, on the principle that no member of the force is allowed to go on duty alone. Hart ordered them back, and alone proceeded further to the spot where his crime was committed. The crew of the lorry had thus no chance whatever to prevent the outrage. It is inevitable that facts like this should not be known when proceedings are seldom published.

We dwelt on the fact that the strictest discipline alone would prevent the forces of the Crown from sinking in this unclean struggle to the level of methods adopted by Sinn Fein. The fact is illustrated by what happened when six young soldiers were murdered in cold blood in the streets of Cork as a reprisal for the execution of six rebels. The troops were paraded in the barracks and addressed by their commanding officer, who appealed to them, for the honour of the British Army, not to resort to reprisals. And no

Ireland

such reprisals followed. Generally speaking, the conduct of the Regular troops does the greatest credit to the British Army, and their discipline and self-restraint is widely recognised in Ireland. There are, of course, exceptions, but the point is that the men know that their officers do not countenance reprisals unless they are specifically ordered, and discipline is enforced.

The effect of the war on the whole situation is certainly not confined to the forces of the Crown in Ireland. It pervades society and affects the outlook of the Government itself. The South African War was as clean a business as such work could be made. With one doubtful exception—the accused was a Spaniard—there was from first to last no attempt at assassination on the part of the Boers. Yet no one could have mixed with the irregular corps without feeling that almost anything was possible but for the stern determination of Roberts, Kitchener and Milner to see that war was conducted on civilised lines. One irregular officer was tried for murder by court-martial and acquitted. Kitchener, after going through the papers, had him re-tried and shot. But a single utterance in high quarters on the lines of the Carnarvon speech might easily have led to an outbreak of devilry, and brought lasting disgrace on the British name.

Unauthorised reprisals must be clearly distinguished from those ordered by proper authority. We saw in Cork two houses which had been wrecked by military order. Several policemen had been shot in the street, and the military authority believed that the shots had been fired from these houses, and that the owners were in sympathy with Sinn Fein. The feelings provoked by such acts may easily tend to increase rather than diminish popular sympathy with the rebellion. But the difficulty still remains that the forces employed to repress disorder will not continue to function if no visible punishments can be made to follow the slaughter of their comrades. And the same, indeed, applies to the execution of men caught with arms in their

Developments After the War

hands in some attack on the forces of the Crown. The feeling in Ireland on the subject of casual homicide is such that a formal execution creates more bitterness than an act of unauthorised vengeance by the forces of the Crown. It provokes a storm of protests from the people who are loudest in denouncing reprisals. Yet unless men caught with arms are executed, the practice of reprisals is as certain to grow up as lynch law in a country where criminals cannot be brought to justice.

The case of the creameries stands on a different footing. There are about 440 creameries created by the great co-operative movement, which is now famous throughout the civilised world. They have helped to make the output of butter more valuable than the output of ships at Belfast. There is conflict of evidence as to the number damaged or destroyed. The *Irish Homestead*, the organ of the Irish Agricultural Organisation Society, in its issue of April 30, puts the number at 61, and also brings up to date the detailed statement of each case given in a previous pamphlet by "A.E." [Russell]. An anonymous Loyalist, writing in the *Illustrated London News* of April 23, reduces the figure to 16 destroyed and 11 damaged. In a few cases it is stated that attacks were made on the forces of the Crown from the buildings. Two principal reasons were given us for the destruction in the other cases. As the creameries are owned by the farmers, their destruction is the best way of punishing the community as a whole for murders done in the district. Colour is lent to this view by the statement that out of about 270 non-co-operative creameries only 10 have hitherto been destroyed. The second and more respectable reason alleged is that men bringing the milk gather daily at the creameries from the whole countryside. They thus constitute centres for the exchange of intelligence and for the distribution of orders amongst the rebel forces. But this could have been dealt with by closing the suspected creameries. Their destruction has operated to drive members of the co-operative

Ireland

movement into sympathy with Sinn Fein. Six months ago the men in active sympathy with the Republican forces were the farmers' sons and the curates. Since unauthorised reprisals and the destruction of creameries began Sinn Fein have been able to count on the support of great numbers of the older farmers and parish priests.

This is no agrarian disturbance of the old recognised type, but a highly organised rebellion. The fact has never been squarely faced, and the consequences are apparent in the methods adopted. Martial law was proclaimed in patches, and seems to be imposed on the Continental idea that it is of the nature of a punishment. In South Africa martial law existed merely to ensure the conduct of operations on lines which were both efficient and civilised. It meant that one man was solely responsible for all operations, with absolute authority to enforce discipline. Martial law, properly so called, simply means that the will of the Commander-in-Chief is law. He enjoins all authorities to carry on in accordance with ordinary law, except in so far as he may vary it for military reasons. Accordingly he adapts his system to local conditions. In peaceful areas he leaves things very much as they are under normal conditions. In disturbed areas the system is adjusted to local requirements. We do not hesitate to say that all operations should be placed under one commander-in-chief, and martial law extended to the whole of Ireland. The commander-in-chief should stand in the same relation to the Viceroy as Lord Roberts stood to Lord Milner. Both should be made to realise that we are not fighting a foreign force, but our own kith and kin, inhabiting a country which must always live in some kind of political communion with Great Britain. And whatever is done must be done by the Government itself in the light of day and with full responsibility. There must be no winking at unjustifiable excesses on the part of policemen because for the moment they seem to be serving a purpose,

Developments After the War

or because there is a risk of destroying the zeal of their servants. Whatever measures are taken should be ordered and directed by people who are not themselves under the influence of passion.

The methods adopted in the last year have restored the control of the Government to this extent, that the courts have been able to function and the police to leave their barracks and take the initiative. Eye-witnesses who attest to the undisciplined conduct of the Black and Tans often go on to say that things would be worse but for their activities. On the other hand, they have driven moderate and respectable elements of the population into tacit or open sympathy with rebellion. We are bound to say that the temptation to fight Sinn Fein with its own weapons has not been resisted. The destruction of life and property is a crime, except in so far as it is done by orders given from above in pursuit of a policy publicly avowed and approved by Parliament. Crime cannot be met by crime, or murder by murder. A stricter discipline has now been enforced, but not before things had been done and condoned by the authorities which must make Englishmen hang their heads. The blame is less due to brave men whose lives were in jeopardy than to those at a distance who failed, till public opinion was moved, to condemn and prohibit these methods. If the British Commonwealth can only be preserved by such means, it would become a negation of the principle for which it has stood.

Sick with this tale of crime and repression, we may turn for a moment to one brighter aspect of the situation. We have met no bitterness anywhere which equals that which the Irish now feel for "England." Yet as a member of the hated race moves through this troubled land he comes to feel that its people must have exhausted their powers of hatred on abstractions. Strange and incredible as it may seem, the concrete individual Englishman is insensibly made to feel that he is welcome, and that Irishmen like to have him in their midst. Nowhere else in the British

Ireland

Commonwealth will he find himself so quickly feeling at home. The people have a genius for putting the shy stranger at his ease. Their kindness and hospitality are boundless, and their natural courtesy homeric. Whatever their faults, centuries of vexation have left them the most affectionate and loveable people in the world.

There are great qualities in a people of whom this can be said. Apart from the present troubles, they have reached a level of prosperity never before known in the country. Rags seem to have disappeared. The crowds in Cork are at least as well dressed as those in Belfast or in any seaport town of Great Britain. Ireland is no longer a country of impoverished farms and ruinous hovels. On every side are to be seen trim whitewashed homesteads surrounded by well-stocked fields. Thanks to the co-operative movement, its rural life is better organised than in any part of England. The people are at least as gifted and intelligent as any in Europe. So far as brains are concerned Ireland is as capable as England of managing its own affairs. Yet the policy of kindness initiated by Balfour which has borne these fruits has left the old burning resentment against English rule unquenched. As every historian knows, a determined movement like this does not break out when a people is plunged in misery. It becomes formidable only when some measure of reform or favourable turn in the trend of prices has relieved the pressure of want so far that the people have strength and time to think for themselves. The defects in the Irish mind are blindness to realities, aversion to compromise, a morbid concentration on itself, a disregard for all interests but its own, an ingrained belief in the virtue of violence. The only cure for these faults is a double dose of responsibility, for they spring from its absence. The Irish have never been disciplined by the sense of controlling their own affairs. It is only by experience in handling causes that nations learn to distinguish evil from good. The tradition that murder is right if used for political ends is a ghastly heritage from a tortured past.

A Settlement as Proposed by the Government

But Ireland alone can cleanse her soul of that curse. We only can prevent it from becoming our own.

True it is that in law the Irish had all the self-government enjoyed by the English, Scottish or Welsh, and indeed more by reason of their larger representation. The reasons why they did not use that power are explained in the earlier pages of this article. And even if they had done so the time available to Parliament would not have sufficed to deal with the special problems of Ireland. That responsible government is not created by a multiplication of voters is a truth which the British have yet to realise. The machinery of union, unless supplemented by extensive devolution, could not have availed to give the Irish experience of developing their own country and of doing justice as between themselves. The passions aroused by the present struggle have now closed that avenue. It has roused a sense of separate nationality which is blind to all claims but its own, a fanaticism careless of death, suffering or loss. The problem would be far easier to deal with if it now sprang from any grievance connected with land, or any oppression but that which it is the policy of the rebel command to provoke. The movement may be crushed for the moment, but no remedy will go to the root of the evil which does not give Irishmen a freedom to manage their own affairs which may be used to the injury not only of themselves but of Great Britain as well.

V. A SETTLEMENT AS PROPOSED BY THE GOVERNMENT

REPRESSESSION is only one side of the Government's policy. The other is embodied in a measure similar to the plan published by the *Times* on July 23, 1919, which became law on December 23, 1920. This measure aims at placing the people of Ireland in a position to create a scheme of Home Rule for themselves by agreement between North and South. For this purpose a responsible

Ireland

Government is created in Dublin for the 26 counties and a second at Belfast for the remaining six. To each is given every power which can without inconvenience be exercised within those limits. For matters common to both a council is created consisting of 20 members from either legislature, with a president nominated by the Lord Lieutenant, with a casting vote (S.2). To this council is relegated the control of railways, fisheries, and of animal diseases. Each parliament may, however, authorise railway construction, where the work lies within its own area. The two parliaments may also by identical legislation transfer to the council the control of any other matters entrusted to both (S.10). The council has no legislative powers. Each legislature is given substantially the powers accorded to a state or province in a federal union. It is debarred from making laws relating to banking, weights and measures, trade marks, copyright, patents, or to military forces. The control of police is reserved for a period not exceeding three years, and the postal service, savings bank and registration of deeds unless and until a parliament for United Ireland is established.

Each legislature may impose and collect any taxes within its area with the exception of customs and excise duties, excess profits duty, corporation profits tax, income tax (with exceptions), or any tax on capital other than the above. The Irish Exchequer may make grants in relief of income tax and of super taxes (S. 25). These reserved taxes, however, are of course the principal sources of revenue. They were withheld from the Irish Parliaments because there is no way of giving them the right to determine customs rates which does not involve the setting up of customs barriers between Great Britain and Ireland and between Nationalist Ireland and Ulster, and because the transfer of the control of income tax to Ireland would apparently make almost impossible the working of the Imperial income tax, with its provision for collection at the source. Accordingly the principle upon which the Act

A Settlement as Proposed by the Government
was based was to reserve these taxes to the Imperial Parliament, but to hand over to the Irish Parliaments their proportion, after deducting Ireland's contribution towards Imperial services—debt, defence and foreign policy. Ireland's contribution on this basis is to be determined by a Joint Exchequer Board, having regard to the relative taxable capacity of the two islands. The Act estimated the amount due in the first two years to be £18,000,000 annually, though if the Joint Exchequer Board finds this excessive the overcharge is to be refunded. Finally the Act handed over to the Irish Parliaments the amounts payable by Irish purchasers of land under the Wyndham Act, while Great Britain retained the debt charges. This meant that the Irish Parliaments were started with a credit balance of £3,500,000 per annum over and above the cost of the Irish services transferred to their control, with which to make reduction of taxation or to embark on programmes of development or reform. In other words, the Imperial contribution, estimated at £18,000,000 for the first two years, is really £14,500,000. A lump sum of £1,000,000 is also given to each of the two areas for the construction of offices. The Joint Exchequer Board is to consist of two British and two Irish members, one appointed by the South and the other by the North, with a chairman appointed by the Imperial Government.

In view of its Imperial contribution Ireland is to continue to be represented at Westminster by 46 members. The measure is sincerely intended to lead to the union of Ireland under one Government. Such union can be effected by an identical measure passed in the lower house of both legislatures. To an Irish Government so created the Act provides for the transfer, if desired, of the postal service, savings bank and the registration of deeds (S.9). At the request of the Irish Parliament the Joint Exchequer Board must report to the Imperial Parliament whether the customs and excise can be handed over as well. These last provisions are designed to leave the door a little way

Ireland

open for the future introduction of a scheme in which provincial Governments might be created for England, Scotland and Wales with powers similar to but not so extensive as those now given to Ireland.

The Act, in a word, is not intended to settle the relations of Great Britain and Ireland, or those of the six and 26 counties, with any finality. It presupposes the union of all Ireland under one parliament (with or without two or more provincial administrations) before any further attempt can be made to settle its relations with Great Britain. Unless it first leads to the reunion of North and South its intention will have failed. This the authors of the Act would be the first to admit.

Now if this should happen it will only be by a gradual change in the outlook of Ulster effected by the discipline and experience of responsible government in the South of Ireland, as well as the North. Such a change was actually taking place in the peaceful period between the second and third attempt to create a parliament in Dublin. If the Act should succeed in its object it must be because sentiment in Ulster has become more Irish than at present. And if once Ulster by her own consent becomes part of a United Ireland, the development of that feeling will be greatly stimulated. Her people cannot share in the work of an Irish Government at Dublin without coming to view their relations with Great Britain through Irish eyes. The aloofness of Ulster will then have become a thing of the past.

It is vital, therefore, to ask ourselves how such an Irish Government will behave when called upon to settle its still outstanding relations with Great Britain. That Parliament will find that all the main sources of taxation are still beyond its own control. It cannot determine its own fiscal system. Will constituencies in Ulster as well as in the rest of Ireland continue to return members pledged to leave this control to a British Parliament in which Ireland will enjoy less than half the influence which they exercised before the Act?

A Settlement as Proposed by the Government

Surely it is dangerous to Burke the fact that if the Act leads, as it is intended to lead, to the establishment of a parliament for all Ireland, that parliament will be nearly as well situated as those in the self-governing colonies to demand and obtain additional powers. We say nearly, because Great Britain, so long as the British Commonwealth exists, can always maintain its naval control unimpaired. But were a United Ireland once vested with a parliament of its own resolved to assume control of its own taxation and customs, it is difficult, in the light of history, to argue that Great Britain could or would continue to resist that demand. Our conclusion is that, if the present Act were to achieve its avowed purpose, Ireland would presently attain full control of her customs and all her sources of revenue. And in doing so she would also acquire the power to withhold any contribution to Imperial expenses. In this measure Great Britain was, in fact, committed more deeply than was realised or intended.

How comes it, then, that the South of Ireland continues to resist this measure? The answer to this question brings us to the root of the whole problem. Gifted and intelligent as the Irish unquestionably are, they lack the qualities which a people can only gain from the conscious control of their own affairs. This long-standing defect, for which Ireland is not mainly responsible, has been aggravated to a fever of unreason by the war and the violence which preceded and has followed the war. The whole question might easily have been met by a federal solution applied in time. Delay has produced a temper in Ireland which objects more fiercely to such a solution even than to remaining as she is. For that very reason the present Act is not supported by more than a few dozen voices in the South of Ireland. Want of experience in handling facts has left the Irish mind out of touch with actualities. No cure will now reach the root of this malady which does not give Ireland the strongest dose of responsibility which she herself is able to take. And this is

Ireland

exactly what she would get if the present Act succeeded in its purpose. There could only be one end to the controversy. If a Government of Conservative complexion refused the demand, a Liberal or Labour Government would grant it when the turn of the tide came. But, even so, the final steps would only be achieved after friction and controversy with Great Britain, more acute, perhaps, than attended similar struggles in the case of the Dominions. Such friction will greatly delay the creation of better relations between the two islands. If the fullest measure of autonomy is the only cure, and if under the present Act that full measure will result, it is surely wise to eliminate this period of friction, and grant forthwith everything which it lies within the power of any future Government, however extreme, to concede. This course would have an element of finality which the Act as it stands has not.

VI. A PLEA FOR FINALITY

WE do not suggest such a policy with any confidence that this appalling conflict can be ended on these or on any other terms. In the American Civil War Lincoln was fighting with organised Governments. To the end political interests in the South remained in the hands of experienced civilian administrators, like Jefferson Davis. It is not so in Ireland. Except for a few months when Sinn Fein was able to develop the skeleton of a Government, the movement has from first to last been a military enterprise. Control has necessarily passed to a handful of men with a gift for organising violence. The real leaders are absolutely fearless and conscientious in their belief that killing is no murder, whatever the method and means employed, so long as it is perpetrated in pursuance of their orders. Distrust in the efficacy of anything but sheer force is in Ireland the most tragic fruit of Anglo-Irish history, and we are

A Plea for Finality

face to face with its consequences to-day. But the greatest danger arises from the fact that these men, with no political experience, are quite unable to judge how far the ends they seek are attainable by force. They cannot, for instance, allow for the reality of a fanaticism, as they would deem it, equal to their own in the minds of others who must be parties to a settlement. The founders of Sinn Fein have, like Frankenstein, created a force they are powerless to control ; a purely military machine is irrational by nature ; as in Prussia, it moves with an impetus which it cannot itself reverse. It is essential, therefore, for people in this country to realise that whatever terms they propose may still be refused till Ireland is bled white as veal, till her industries lie in ruins, till the best part of her youth has emigrated to America, and England stands beggared and discredited in the eyes of her own children and in those of the civilised world. Passions have been let loose which, perhaps, cannot be reined until they have worked the total ruin of Ireland, and the utter disgrace of the civilisation for which we stand. Herein lies the tragedy of the situation, and it cannot be approached in any spirit of optimism.

The danger lies in the fact that the leaders of this movement are asking for terms which if any British Government accepted on paper they could not deliver in fact. When one asks a spokesman of Sinn Fein whether the demand for Irish independence includes the whole Island, the answer is : " Absolutely so." Now, even assuming that four-fifths of the Irish people are anxious to renounce their status as British citizens, which they certainly are not, it is certain that at least one-fifth are immovably resolved to retain that status. Men whose whole lives are inspired by one idea find it difficult to realise the idealism latent in the minds of ordinary commonplace people. We have met Sinn Feiners who seemed genuinely startled to hear that if the establishment either of self-government in the Transvaal or of the Union of South Africa had meant that

Ireland

British citizens were to renounce their citizenship, civil war would have been the result. It surprised them to be told that had General Herzog won the recent election and declared a republic, shopkeeping Britishers in that country would have sprung to arms. These men, who are ready, nay eager, to die for an idea, have little recognised the strength of an ideal opposed to their own, for which a substantial proportion of their own fellow-countrymen are also prepared to die. Nor do they realise that their demand, if conceded, would place them in the very position which they now execrate. In the first month of their existence the forces of a Republican Government in Dublin would, in Northern Ireland, be engaged on the same fell work that the forces of the Crown are now doing in Kerry and Cork. They would be copying the methods of the British Government in coping with tactics perfected by themselves.

The claim they are making presupposes that the British Government is omnipotent in fact as well as in law. They ignore factors which it is beyond the power of this or any other Government to command. If civil war had broken out in 1914 vast numbers in Great Britain would have ranged themselves against the Unionist Party in support of Nationalist Ireland. There is now no Unionist Party worth counting, but an English brigade could not be recruited to support Sinn Fein in coercing Ulster. The moment blood began to flow overwhelming forces would begin to pour in from Great Britain to Ireland in defence of those who were fighting to remain their fellow-citizens. No Government in England could prevent the organisation of such forces or their transfer to Ireland. It is quite true that Irish-Americans in almost unlimited numbers would arm to support the Irish Republic. It is no less true that the Orange Lodges in Canada would organise forces to support Ulster. Ships from Australia and New Zealand would be loaded with recruits hurrying to join the conflict on this side or that. Can any sane mind really picture the British Navy circling round to keep the

A Plea for Finality

ring till Republican machine guns had done their work and coerced the surviving Loyalists into renouncing the King they serve and lowering the flag under which they sail? In one breath we are asked to believe that, while a majority of Irishmen will die sooner than remain in the British Commonwealth, the Loyalist minority will consent to go out of it without striking a blow. Sinn Fein is asking what no Labour Government, backed by a majority however strong, could offer, or, if it offered, could deliver. When talking of peace it is useless to consider terms, which would not only open a fresh chapter of carnage in Ireland, but would spread the conflict in some form or other broadcast throughout the English-speaking world.

In the same category must be included all proposals which involve making the six counties subject to an all-Irish majority now or in the future, except by consent of their own legislative assembly now by law established in Belfast. We are not concerned with the rights or wrongs of the position. But when looking for some means whereby the present struggle may be ended it is futile to suggest measures which must immediately result in sweeping into the *mélée* elements which do for the moment stand outside it. Surely the greatest visionary must see that if Ulster Protestants were prepared in 1914 to go into rebellion rather than submit to the rule of Redmond and Dillon, they would perish to a man rather than accept government at the hands of those responsible for the present methods of Sinn Fein. Ulster, like the rest of Ireland, has a dangerous belief in the efficacy of force. Like the Boers, however, she still cherishes the old-fashioned distinction between battle and murder. The feelings which separate North and South have been terribly deepened by the character which the present struggle has assumed. Southern Ireland must be free to choose its rulers, and Ulster must have time to see how she uses that freedom before a new prospect of unity for Ireland can dawn. The apostles of a violence unrestrained by civilised conventions scarcely realise the

Ireland

obstacles they create to their own ends, to whichever party they belong.

To say that the hands of the Crown forces are as red as those of Sinn Fein is no answer. The Government is one thing, and the people of Ulster another. The Imperial Parliament is as powerless by its mandates to effect a genuine organic union between North and South, as it was to unite Upper and Lower Canada. It tried and failed. The plan which succeeded was the work of Canadians and based on agreement between the electorates of Ontario and Quebec.

More instructive still is the case of South Africa. So long as there were three parties to the dispute, Great Britain as well as the Dutch and British in South Africa, a settlement was hopeless. The only final solution lay in Union, but Union was impossible so long as the question was at issue, whether South Africans were to retain or lose their status as British citizens. The pact of Vereeniging settled that question, and within eight years the British and Dutch were united by a settlement made by themselves in their own-country which the British Government were able to accept without the alteration of a single word. The secret lay in first eliminating questions at issue between South Africa and the British Commonwealth. The principle of this precedent has, we suggest, a real application to Ireland. If matters can be finally placed on a footing which leaves no further bargain to be struck between Great Britain and Ireland, and which still makes North and South feel that each can meet the other free from fear of compulsion from outside, the unity of Ireland, however distant, will at last be in sight.

Let us take the questions now at issue between Great Britain and Ireland and see how far it is possible to eliminate them once for all. Customs is the first and most difficult case. The foreign trade of Ireland is practically confined to goods produced in Belfast. Except for certain negligible items, the whole of the exports from Southern Ireland are

A Plea for Finality

marketed in or through Great Britain. Ireland is only one of the most important markets for British manufactures. Great Britain is the sole market for the agricultural products of Ireland, and is so situated as always to be its most profitable market under normal conditions. To the Irish farming industry as a whole security for free trade with Great Britain is of even greater importance than it is to the British manufacturing interest as a whole. It must also be added that Ulster is passionately averse to anything which might threaten the fiscal unity of Great Britain and Ireland. The prospect of custom houses erected to examine goods passing between the two islands, or between the six counties and the rest of Ireland, is as bad a nightmare to the North as it would be to Scotland and Wales, were it ever suggested that all goods in transit must be examined on their borders. At present the really economic demand for protection comes, if at all, only from the small body of manufacturers in the South of Ireland. The demand from Nationalist Ireland for the right to settle and collect their own customs is none the less overwhelming. It springs from the passionate resolve to be recognised as a nation distinct from Great Britain at least to the same extent as the Dominions. Fiscal autonomy has come to be regarded as the symbol of nationhood, not merely by the more fanatical section of Sinn Fein, but by the whole body of Nationalist opinion. As the failure of the Convention to secure an agreement between North and South showed, the successful propagation of this doctrine has, in fact, established a formidable barrier to national union.

The Irish problem is, in fact, psychological. It no longer arises from any economic or social grievance, but from a state of mind driven to unreason by long denial to Ireland of reasonable powers to manage her own affairs. So obvious is the interest of agricultural Ireland in free trade with Great Britain that advocates of fiscal autonomy habitually plead that if only Ireland is left free to make her own tariffs she can always be trusted to maintain free trade

Ireland

with Great Britain. As a rule they couple the demand for fiscal autonomy with the plea that it should be accompanied by a treaty establishing permanent free trade between Great Britain and Ireland. That such an agreement would in practice destroy the fiscal autonomy of both countries is a fact with which they have failed to reckon. No Chancellor of the Exchequer can undertake to balance his budget, especially in these days, unless he is at liberty to vary his tariff. Under its present system of free trade the British tariff is applied to a very limited number of commodities. But, even so, a year scarcely, if ever, passes without some change being made in these duties. To balance his budget and to meet popular demands, the Chancellor of the Exchequer must be at liberty every year to readjust the duties on items like tea, spirits, tobacco, cocoa or sugar. Now under the system proposed no such change in the British Budget, however slight, can be carried into effect without subjecting to examination all goods as they pass between Great Britain and Ireland unless the Irish Parliaments follow suit and enact exactly the same changes at the same time.

We are told, therefore, that the British Chancellor of the Exchequer must not propose any change in the tariff until the Irish Chancellor has agreed to propose the same change to the Dublin Parliament, and *vice versa*. Both Parliaments must then be brought to accept such agreements. This is the experiment which Pitt tried when Ireland asserted the right to fiscal autonomy in the days of Grattan. Its signal failure is on record. Whenever tried, as in Germany or South Africa, it has always broken down in a few years. When proposed between Canada and America, Edward Blake demonstrated that it could only last if quickly followed by the entry of the provinces of Canada as states under the American Republic. It would, in fact, destroy the fiscal autonomy of Great Britain as well as of Ireland, and give rise to evils far greater than the establishment of custom houses between the two countries.

A Plea for Finality

The maintenance of an agreement on a contentious and complicated matter like a tariff schedule, which presupposes that two legislatures responsible to separate electorates will succeed in enacting the same changes in the schedule year after year, is doomed from the outset to failure. Its very uncertainty is a standing bar to the investment of capital in trade.

Fiscal autonomy in every shape or form means that the possibility of custom houses between the two islands must be faced. But the fact we have need to grasp is this, that the political relations into which the two islands have now drifted are more inconvenient, more mischievous to commerce, more costly and more fatally dangerous to both than any line of custom houses on their coasts, or indeed any condition of fiscal divorce. Their continuance must serve to aggravate the psychological causes which foster the Irish demand for fiscal autonomy.

We have, however, one suggestion to add which might help to mitigate the evils of the change. If fiscal autonomy is granted to Ireland, the existing tariff would in any case continue to apply until it was changed by the vote, either of a British or an Irish Parliament. Until some change were introduced into the tariff of either country no customs searches would be needed on either coast, provided that North and South were prepared to allow the Joint Exchequer Board, as under the Act, to apportion the Irish revenue between them on some rough basis. But the chance of maintaining an identical tariff, though not in any case great, would be clearly enhanced were it provided that any change in the British tariff should apply to Ireland, unless or until it was altered by the vote of an Irish Parliament. The impossible task of asking an Irish Parliament to ratify the changes made at Westminster every year would not have to be faced. A condition is at least more stable if its maintenance depends on the continued inaction of a popular legislature. At the same time the principle of fiscal autonomy would be unimpaired. For Southern

Ireland

Ireland, at any moment that she was willing to face a customs barrier, could make her own tariff without let or hindrance.

This suggestion, if it bears the test of a closer examination, might be extended to questions reserved under the present Act, like banking, which in the settlement here outlined would be transferred to the Irish legislatures.

We say "legislatures," because it is time once more to remind our readers that we see no chance of ending this conflict by measures which propose now or at any future time to place the six Northern counties in any respect under the legislative authority of all Ireland save and except by consent of their own legislature as now by law established. In brief, what we are proposing is to place the North and South, so near as may be, in exactly the same relation to each other as that occupied by Natal and Cape Colony under responsible government, with one single exception. Neither Parliament would possess, nor have any prospect of possessing, the right to vote a single penny on naval expenditure or to pass laws on that subject. Great Britain would retain the right which she still exercises at Simonstown, to control her naval stations and dockyards in Ireland, to select and acquire by purchase any further sites she may require for the purpose, and in war to exercise all powers necessary to prevent the use by an enemy of any part of the Irish coast for hostile purposes against the Commonwealth. It is impossible to be too specific on this point. As the attitude of Lord Grey has shown, no Government, however advanced, in England can ever divest her of powers without which, in the late war, interests far vaster than those of Great Britain would now be lying in ruins.

With this important reservation which Great Britain is in a position to maintain, the idea is to give colonial autonomy to the North and South, leaving the two self-governing colonies to unite in their own time by a constitution agreed between themselves. Once established on that

A Plea for Finality

footing, Ireland, free to control her destiny for herself, can then decide how she can best realise it. If ever she returns to an organic fiscal union with Great Britain, it can only be by her own choice, willingly made in the light of an experience gained for herself. The proposal means giving to the North every power given to the South, but yet leaves the North in exactly the same relation that she now occupies to Great Britain, unless she herself uses her new powers to change that relation. In this respect the proposal that changes made in British tariffs should apply to Ulster unless rejected by her own Parliament is all important. Every new power granted to the South should also be given to the North. But Ulster would not be called upon to exercise those additional powers unless she found it to her interest to do so. An alternative course would be to give Ulster the option either of remaining just as she is under the present Act, or of receiving all the additional powers given to the South.

The proposal must of necessity mean that the Parliament in Dublin might, and in all likelihood would, take steps necessitating the erection of a customs barrier between North and South. It might vary the laws relating to matters like banking or insurance in such manner as to produce grave dislocation in business and industry which centres in the North. The proposal to establish and administer a frontier between the two, such as that which divided the Transvaal from Natal and the Orange Free State before their Union, is described as impossible. But such lines exist all over Europe, and in dozens of cases have, since the war, been created between territories where they never existed before. Under the suggestions we are now considering the maintenance of fiscal unity between Ulster and Great Britain would rest entirely in the hands of Ulster. They involve a risk, nay, a likelihood, of a tariff between that area and Southern Ireland. But if Dublin persists in that course, it will do so with its eyes open to the consequences. The waters which divide Ulster from

Ireland

Great Britain are, for the purposes of transportation, a link rather than a barrier. All measures excluding the North from commercial communion with the South will simply operate to knit Ulster more closely even than she is now knitted into the social and economic fabric of Great Britain. If barriers are erected by Dublin, Ulster will quickly adapt her economic system to the new conditions, and Southern Ireland will be presently faced by a province almost as difficult for her to incorporate as Scotland.

The difficulties raised by fiscal autonomy are hardly less when we come to the question of a separate income tax. One has only to think of the case of a bank or insurance company with branches distributed all over Great Britain and Ireland to see this. Two or more separate systems of income tax will involve the keeping of elaborate returns, increased expense to Government and the industries, and bureaucratic obstacles to business. Nor can the taxpayer be always secured against liability to be taxed by two Governments on one income. When we say that the difficulties of financial autonomy are not insuperable we simply mean that these things can always be done at a cost. It is not improbable that the dissolution of the Austrian Empire into separate political units will destroy values in those territories to a greater extent than the war itself, unless in due time some new political union is effected, stable because based on the willing consent of the communities concerned. Without such a reconstruction Austria will fade to a shadow of her former self. Her economic life cannot revive on the present basis. In Ireland fiscal partition will scarcely injure the prosperity of Ulster so gravely as an indefinite continuance of the present struggle. If North and South were once put in the same relations to each other and to Great Britain as two self-governing colonies, they would then be faced by the same problems, and the example of those colonies would point the way to similar solutions. It might even prove that the great majority of Irishmen would discover that Ireland united,

A Plea for Finality

autonomous, and free in the true sense of the word is possible only in some organic union with Great Britain for the control of interests really common to both. But of this we are now convinced, that that day will never dawn until Irishmen have known what it is to control everything within the limits of their own territory, even though in doing so they damage not only themselves, but their neighbours. They must also feel that their future relations with Great Britain rest entirely in their own hands. No other treatment will touch the seat of a malady so subtle, so radical, so ancient, and so terrible in its causes. The one path to safety now lies through perils only less than those of the situation in which we stand. But they are less, for it is difficult to imagine any situation more dangerous than things as they now are.

The Council of Ireland, created mainly for the purpose of dealing with the difficult case of the railways, would probably have to remain as it is. How difficult this case is will be seen when it is realised that between Dublin and Belfast the line crosses the boundary between the two areas no less than six times. The Council is in any case worth maintaining as a machinery for dealing with fiscal questions and other matters really common to the whole of Ireland, and also as a bridge to ultimate union.

Let us now turn to the question of debt. The position adopted by the different sections in Ireland are various. The Ulster Unionist scorns the idea of repudiating his due share in the National Debt. On the other hand, he holds that the present Act saddles Ireland with a share which is far too heavy. Ireland, as we have seen, is charged under the Act for the first two years with £14,500,000 for Imperial expenses, past and present; that is to say, for debt and also for Imperial Defence. But Ulster holds that this contribution is excessive. Five million pounds is sometimes mentioned in the North, as well as in the South, as a suitable figure. The Southern Unionists and Nationalists are more divided on the subject. Some take

Ireland

the position that the debt can easily be apportioned by mutual agreement. Others say : "Let England be generous and start Ireland on the career of autonomy free from all debt. It may sound mean of us to suggest such a course, but England will find generosity cheaper in the end. It will pay her over and over again to have at her elbow an Ireland which is really friendly." The extreme Sinn Feiner is disposed to repudiate all liability "for the debts contracted by a foreign Government to pay for Imperialist wars." It is impossible, however, for any person to argue in cold blood that Ireland, which but for the present struggle is as prosperous as any country in Europe, is the only one to which no public debt is in equity attributable. Advocates of total exemption have, therefore, to fall back on the plea that complete generosity is the truest wisdom.

It is clear that the necessary consequences of appropriating the charges for the whole debt to the taxpayers of Great Britain, has not been thought out. Those charges for interest alone amount to £10 a head per man, woman and child of the whole population of the United Kingdom. If Ireland were discharged of all obligation, the burden on British taxpayers would have to be increased accordingly. Great Britain would then have to raise more than £10 per head of her population, while Ireland would have to raise nothing at all on the same account. The burden of taxation is of course reflected in the costs of industry. The results can be best illustrated by the case of ship-building. A shipping company issues tenders for ship construction to the amount of £10,000,000. The estimates framed by the yards on the Tyne, Mersey and the Clyde will all reflect the charges imposed to meet the greatest burden of debt which any country has ever carried, not excepting Germany at the present time. The estimates of Belfast will be free of those charges, so that business will tend to go to Belfast. And as Belfast got the orders, so would it have no difficulty in obtaining capital to build the slips and other necessary plant. But the matter will not

A Plea for Finality

stop there. Belfast must find the skilled labour to work the slips, and it will be found, not in Dublin or Cork, but in the derelict yards of the Tyne, Mersey, and the Clyde. A transfer of population from Great Britain to Ireland will follow. And the same applies, though less conspicuously, in every sphere of competitive industry. The Irish farmer now normally owns his land. The British farmers are coming to do so, by reason of the taxation which is forcing the landowners to break up their estates. The competitive market of both is Great Britain, and in that market the British farmer will be heavily undersold by his Irish competitor. In Great Britain the system would amount to protection against the home producer heavier than any country imposes in favour of its own agricultural industry.

These very conditions prevail at the present time in the Channel Islands. The number of immigrants there is limited only by the lodging available. If the British Debt is increased to free Ireland from all burden whatever, a wholesale emigration of people with small independent incomes to the country where living is much cheaper will begin. The burden of those who cannot move will increase accordingly. A demand on the part of the British electorate would arise for measures of protection which no Government could resist. An export tax on coal and iron would be imposed, coupled with import duties on Irish produce. The proposal to exempt Irish taxpayers from all debt charges, apart from its utter injustice, would oblige Great Britain to penalise Irish industries by every means in its power, and thus ensure a permanent hostility between the two islands, the primary condition which all statesmanship should endeavour to avoid. The moment its implications were understood, no British Government could accept the proposal, least of all a Liberal and Labour Government. No one in Ireland to whom we submitted these considerations was able, or indeed disposed, to question their gravity. Even the extremists are averse to creating condi-

Ireland

tions which must attract a new and formidable wave of migration from Great Britain.

We cannot subscribe, however, to the view commonly advanced that the apportionment of the debt could be settled by agreement between Great Britain and Ireland. The factors of which account must be taken are highly contentious. It is insisted, for instance, by Irishmen, that except for two or three years before the war, Ireland has always since 1800 contributed more than her fair share to Imperial expenditure, and that all this ought to be taken into consideration in estimating the proportion of debt she ought to carry. To assume that two communities can agree on contentious points like these is flying in the face of all experience. The two states into which Virginia was divided after the Civil War have never agreed on the apportionment of the previous debt. Under similar circumstances the directors of a railway or some other great corporation which had decided on partition of the whole business would scarcely attempt to settle by agreement the apportionment of debentures. They would go to arbitration or, failing the settlement of terms of reference, the matter would come into the courts, which would have to settle, not merely questions of arithmetic, but also the principles of partition, after hearing full argument from both sides.

The future fiscal relations of Great Britain and Ireland are clearly a question which could never be submitted to arbitration. The division of the debt is eminently suitable to such treatment, and in Ireland we found a general disposition to refer the whole matter to judicial decision on two conditions. The first of these conditions was that all points should be left for the decision of the arbitrator. If Ireland claims the right to argue that she was overtaxed for more than a century, let the court decide whether such an argument can be heard at all. And if such argument is admitted, let the court decide whether she was in fact overtaxed, and if so the extent of the overtaxation, after

A Plea for Finality

hearing the arguments of both sides. The reference should be open, leaving the court to decide the principles of division as well as questions of arithmetic. The court of arbitration would also have to decide how much of the Irish debt was attributable to North and South respectively.

The second condition was that the president of the court, with whom the casting vote lies, should be someone disinterested in both countries, and be nominated by someone in the same position. The principle of arbitration, for which we are pleading, is already recognised in the duties assigned to the Joint Exchequer Board. But the Chairman of the Board, the essential arbitrator, is to be appointed by the British Cabinet. From the Englishman's point of view a greater mistake could scarcely be made ; for awards made by a judge nominated by one party will never be accepted in Ireland as just. The Chairman should clearly be brought from one of the Dominions, and be nominated by some authority in whichever Dominion is least connected with the Irish question. The favourite suggestion we found was that some competent chairman, born and domiciled in one of the Dominions, should be nominated by General Smuts.

Debt represents mainly the cost of defence in the past. We may now turn to the future. The machinery for determining by arbitration what this contribution should be from time to time already exists in the Act. But it ought to be amended by provision for a chairman appointed on the lines already discussed. As a permanent arrangement the appointment of the Chief Justice of South Africa as the person to select a chairman from outside the British Isles would perhaps prove the arrangement least open to exception.

The payment of the future contributions must, for the reasons already given, be left to the discretion of the Irish Parliament or Parliaments, and if paid, carry the right of equivalent representation at Westminster. The right to such representation might stand for five years and run on

Ireland

in any case to the dissolution of the Imperial Parliament then sitting. If the payments had been fully met at the end of five years it would continue automatically. The objections to this course are obvious, but to some extent they apply to the Act as it now stands.

Whether Ireland has been undertaxed or overtaxed, it is probable that under the Union she has suffered by the fact that so little of her contribution to Imperial expenses has been spent in Ireland. In England the rural districts, and indeed all the provinces, have suffered in the same way. The great towns, and especially the Metropolis, usually get far more benefit from the local expenditure of public revenues than the rural districts. That benefit operates to increase the population of the metropolis at the expense of the provinces. But Great Britain as a whole does not lose thereby. Ireland, with her separate national consciousness, bitterly resents the feeling that her contribution to Imperial charges is so spent as to diminish her own population while increasing that of the sister isle. Scotland has no such feeling. Her admirable system of education enabled her people to occupy London. From the date of the Union Scots filled the more responsible posts in ever increasing numbers, and London probably contains more Scots than Edinburgh. For them London, not Edinburgh, is the capital of the country which claims their final allegiance. The contrast serves to show the essential failure of the Union in Ireland. A city does not consist of walls, nor a country of land. It consists only in the minds of men. Our suggestion, therefore, is that any contribution to Imperial charges made by Ireland should be spent so far as possible in that country or on the purchase of Irish products. In order to get at the facts the Joint Exchequer Board might be charged with the task of reporting how far the contribution is expended in this way.

We now come to the question of defence. So far as naval affairs are concerned we cannot picture a British Government renouncing powers without which Great

A Plea for Finality

Britain would lie at the mercy of any foe able to maintain a fleet of submarines, or conceding to Ireland the right to maintain a separate navy. Least of all would a Labour Government be prepared to make a concession which would mean at once a formidable increase of their naval estimates. And such a restriction can be made because Great Britain is always in a position to enforce its terms. With agreements restricting the organisation of troops it is otherwise. Experience with Germany has already shown how fruitful in misunderstandings and in charges of bad faith such agreements are. It can always be argued that authorised forces are being organised and developed in practical contravention of limits agreed upon. Even a police force can be organised as the nucleus of an army, and such prohibitions encourage the growth of irregular forces which the Government bound by the agreement cannot control. Restrictions which cannot be clearly enforced invite a challenge from those who resent them. Great Britain has less to fear from a standing army in Ireland than from a standing quarrel with its people. It will, of course, be necessary, while passions are cooling, to maintain Imperial forces in Ireland to prevent any attempt of either province to coerce the other. After, say, five years it should be within the option of either Government to request the removal of British troops from its own area. The police should pass to the control of those Governments forthwith. The suppression of internal violence should be the first task to be laid on the new Governments.

In all this we have said no word of negotiations. One reason is that Irish distrust of England and of its Government is such that negotiations are almost certain to fail from the outset. But if we have rightly analysed the position, there is indeed no room for negotiation so far as the main outlines of a settlement are concerned. There is, for reasons we have given, a point beyond which no Government which desires to end this conflict can go without opening a new and more comprehensive chapter of bloodshed. No

Ireland

Government can concede a Republican status to one section of Irishmen without depriving another section of their status as British citizens, which they will stake their lives to maintain. And the same applies to any proposal to render the North now or hereafter subject to a parliament in Dublin without the consent of its own parliament in Belfast. No British Government could carry a proposal which would interfere with full naval control of Irish coasts. On the other hand, the Act already passed aims at a solution which if realised would mean that an Irish Parliament might ask for, and if it asked would obtain, all other powers the transfer of which is here suggested. England cannot concede these powers now to the Irish people as a whole because they are sundered into two parts by a division which no one in the world but themselves can bridge. Nor will any mere promise to concede them end the matter, because no guarantees of fulfilment can be given which in the light of the past have the least chance of acceptance. The last avenue which remains open to better relations between these Islands is the old and well-tried path of establishing the North and South of Ireland on the footing of two autonomous colonies, after first eliminating, so far as may be, all external interests which may stand in the way of their coming together. We have only attempted to outline such a settlement. In the space available no more is possible. We believe, however, that on these lines an amending Bill could be framed, and that in framing it the further details could be worked out and would present no insuperable difficulties.

The measure we suggest is avowedly one which would leave nothing that any alternative Government could offer for the purpose of restoring peace, one to which no responsible leader in Parliament would be able to propose a further concession. Such a measure enacted by agreement between the leaders of all parties might end a conflict which threatens the very foundations of civilised life. The responsibility which rests on the Liberal and Labour

A Plea for Finality

leaders is no less than that which rests on the Government. If they were to pronounce the measure one which left them no further concession to propose, Irish opinion would in time recognise that finality was reached. The world would at any rate know that Parliament had left nothing undone to end the struggle.

The means whereby Nationalist Ireland could come to a decision are now in existence. The South of Ireland has elected its members. Government should have no difficulty in giving them all safe conduct to a meeting for the public discussion of the new position when it is created. But Government should ignore anything short of a public discussion. If the spokesmen of Sinn Fein decide to continue the struggle when nothing remains which any alternative Government could concede, the people who elected them are at least entitled to have the reasons publicly discussed. The issue would then be clear, and ought to be referred for final decision to the electorate itself.

Once more let us say that even if all this were done, the struggle may continue to its ruinous end, because one side is led by men with no experience beyond that of organising strife, and blind to all political values. But purely psychological factors are not confined to one side only. Since the breakdown of the autumn negotiations a palsy of despair seems to have fallen on Ministers in charge of the whole situation. A crisis so long continued, so growingly desperate, so elusive of all their efforts to solve it, seems to have induced a spirit of fatalism. In the immense pre-occupations of these times no further effort seems to be made by those in authority to see whether there are any means as yet untried. The very talk of negotiations proves that such means exist, and that Ministers feel that they have still some cards in their hands. It is surely the wiser and nobler course to produce them forthwith, and to know once for all that nothing we can do to end this degrading struggle has been left undone. The province of force in

Ireland

human affairs is to give moral ideas time to take root. Force, like punishment, is justified only so long as its exercise will render its ultimate use unnecessary. Continued beyond that point it destroys the fertility of the soil in which moral ideas can grow. It must then be left to fallow for years. The time has gone when force could avail to unite the North of Ireland with the South. Their union must now proceed from the free and willing agreement of both, the weaker party knowing that force cannot be used. And so it now is with Great Britain and Ireland as a whole. Their future communion must spring from an Ireland which feels itself as free to choose as Great Britain itself. It is thus only that Ireland can be freed from the bondage of a hatred that is warping her nature.

The suggestions here outlined are in no sense a settlement of the Irish problem. At best they are designed to pave the way to a solution which can only be found by future generations. If accepted, they would end the terror under which all Ireland writhes. When carried into effect they would in the slow process of time induce that tolerant and sober frame of mind, that deference to facts, which no people can develop until chastened by self-control. But these measures would create a new range of problems only less difficult and dangerous than those with which we are now faced. But the one condition of solving any problem between these two Islands is an Ireland unified and reformed by herself. These proposals are advanced as offering some promise of realising that essential condition, as well as of ending a conflict which degrades us in the eyes of the civilised world.

We have so far limited ourselves to enquiring what Great Britain, the predominant partner in this struggle, can do to end it. There is, however, another and much more hopeful exit which cannot be found by any one whose followers are on this side of St. George's Channel. We have, as we have said, little hope from any negotiations between Ministers and the leaders to whom they are

A Plea for Finality

opposed in Ireland. Irish distrust of the British Government is too great. It really arises from the difficulty which any Government in this country has in securing that Parliament, including the House of Lords, will ratify the terms to which it agrees. That is why we see no prospect of ending this conflict by agreement until Parliament has ratified the fullest measure of autonomy for Ireland which can be offered without renewing the struggle in a form even more deadly. But circumstances place Ulster in a wholly different position. The unhesitating attitude she took in the war has for ever freed her from the risk of coercion. She now knows that British bayonets will never be used to coerce her, that never will the British people again propose to deliver her bound to Nationalist Ireland. There is nothing which so narrows the outlook of a people as the menace of force, as a glance at Nationalist Ireland will show. The moment she realised that this threat was withdrawn Ulster was quick to respond. She accepted a measure of autonomy which she did not want, although it was consciously meant to lead her into harmony with the Nationalist ideals she had long resisted. And this she did, realising that venom from this ancient sore is fast spreading through every vein of the British Commonwealth.

In taking this step Ulster unconsciously acquired in Irish affairs a position stronger than Great Britain herself. Sinn Fein has ceased to believe that Parliament will ratify any terms which its leaders might settle with the British Cabinet. But it knows that Parliament will accept any settlement made by North and South in willing agreement between themselves. The initiative of Ulster in advising that Southern Ireland should be given the fullest measure of autonomy which a British Government could in practice grant would change the whole situation. From the nature of the case, her motives would be pure and be recognised as such. The settlement she proposed would place it in the power of a Dublin Parliament to exclude her from trade with the rest of Ireland. What possible

Ireland

motive could she have for taking this step? None but one, the extreme opposite of that which inspires the forces of Sinn Fein, a devotion due, not to the United Kingdom, but to a Commonwealth embracing a quarter of the world. It sometimes happens that a people intent on practical business and little accustomed to talk of ideas surprises the world and itself by responding to the call of a great opportunity.

THE MEETING OF THE IMPERIAL CABINET

I. THE GENESIS OF THE MEETING

IN June there is due to be held in London a meeting of the Prime Ministers of the self-governing communities of the Empire. Representatives of the Government of India will also attend this meeting. Its purpose is to take counsel upon important practical matters affecting the whole British Commonwealth, and if possible to determine by common consent, in the light of agreed decisions upon policy, the lines of action to be taken by the several governments represented. The name given to the body to be assembled is "The Imperial Cabinet"; but it is important, first, to be clear as to what it is that that name stands for to-day; and, secondly, to form an idea of what are the actual objects of the forthcoming meeting.

The Imperial Cabinet is the product of a process of evolution, greatly hastened by the war, from the old Imperial Conference of the later years of the last and the opening years of the present century. The old Imperial Conference accurately reflected the theory which obtained in those years of the relations between the United Kingdom and the "self-governing Colonies" as they were originally called before the name "Dominions" came to be applied to them. That theory was that the autonomy of the Dominions was a strictly local affair. Within the four corners of their own territories their rights of self-govern-

The Meeting of the Imperial Cabinet

ment were, as Mr. Asquith described them at the Conference of 1911, "absolute, unfettered, complete"—but there they ended. The conduct of foreign policy, the issues of peace and war throughout the Empire, the discharge of British responsibilities towards India, the Crown Colonies and Dependencies, were matters for the Government of the United Kingdom alone. The Government of the United Kingdom, directly responsible solely to the Parliament and people of the British Isles, was also the Imperial Government. The theory was in accord with the facts of the time, and the practice of holding periodical conferences of Dominion Prime Ministers under the presidency of the Secretary of State for the Colonies was in accord with the theory. Naturally the politeness of British statesmen led them to emphasise the fullness of Dominion autonomy within its limits rather than the narrowness of the limits themselves. "Each of us," said Mr. Asquith in the speech to which reference has already been made, "are and intend to remain master in our own household. This is the life blood of our polity. It is the *articulus stantis aut cadentis Imperii*." But the limits remained, both in theory and in fact.

In these circumstances it is not a matter for great surprise that the pre-war Imperial Conferences should not have been very prolific in practical results. British and Dominion statesmen met in an atmosphere of mutual admiration and social festivity, debated such matters of Imperial concern as uniformity of legislation in regard to patents or naturalisation, the establishment of a State-owned cable across the Atlantic or the possibility of an "all red route" to Australia, and went their way—to assemble again a few years later, wondering a little, it may be, at the paucity of the actual harvest that had rewarded their co-operative sowing. The range of the Imperial problems which could be solved by action on the part of the Dominion authorities within the limits of their powers was not wide. The handling of questions of real Imperial moment fell within

The Genesis of the Meeting

the competence of the Government of the United Kingdom alone.

As time went on and, on the one hand, the German menace to the peace of the Empire became more and more insistent, while on the other the Dominions continued to grow in population, wealth and importance, the state of things which we have described was felt to be increasingly unsatisfactory. It was felt that peoples whose most vital concerns, on which the issues of peace and war depended, were managed for them by another people, whose principal means of external defence, the British Navy, was wholly controlled and almost wholly paid for by that other people, were autonomous only in name, and that local self-government and full self-government were two very different things. For in the modern world a civilised community cannot be wholly self-contained. Its local affairs are not and cannot be co-extensive with the totality of its affairs. External affairs, relations with the outside world, it must have, just as an individual must have relations with his neighbours. These external affairs must be managed by somebody ; if not by the community itself then by some other authority. If they are exclusively managed by the community itself then the community is an independent sovereign international State. If they are managed by another authority, as in the case of the Dominions they were managed by the Government of the United Kingdom, then the community is very far from being in any full sense self-governing.

But though the great question of harmonising the real self-government of the Dominions with the unity of the British Empire had begun seriously to exercise men's minds ; though Canada and Australia were attempting to deal with the problem of their own naval defence ; and though the Imperial Conference had begun to assume as by far its most important function that of affording an opportunity for the frank and confidential initiation of Dominion Ministers into the real mysteries of foreign

The Meeting of the Imperial Cabinet

policy, previously regarded as a closed book to be opened only by the *illuminati* of Downing Street, the theory sketched above of the relations between the United Kingdom and the Dominions still held the field. Its candour was sometimes veiled and its truth obscured by the metaphorical phrases concerning "sister nations" and the like which fall so glibly from an English tongue, but it continued to accord with reality. And, in fact, when the great crisis suddenly arose in the summer of 1914 and the whole Empire was committed to a life-and-death struggle, the Dominions had had no more voice in the vital decision of the British Cabinet, or in the diplomacy which preceded it, than they had had in 1899.

The sufferings and sacrifices of the Dominions and of India during the great war, and the triumphs which they so largely helped to win, produced alike a new growth of nationalism in them and a determination never again to be placed in the position of being called upon for such sufferings and sacrifices otherwise than through their own deliberate act.

Holding fast to the central doctrine of the unity of the British Empire, the Dominions felt, and the Mother Country freely acknowledged, that they were entitled to be recognised as having achieved a national status equal to that of the United Kingdom itself; that the old status of subordination to the United Kingdom in all but purely local affairs was intolerable, and that in future all questions affecting Canada, Australia, New Zealand and South Africa, including the great questions of peace and war, were questions for the people of those countries, just as the corresponding questions for the United Kingdom were questions for its people. A new orthodoxy came to be substituted for the old, and was enshrined in the phrase "equality of national status."

That there were difficulties in combining this new orthodoxy with an unabated adherence to the doctrine of the unity of the British Empire was obvious; but the task

The Genesis of the Meeting

of winning the war left little leisure for the speculations of political philosophers. What was done was to institute the "Imperial War Cabinet," consisting, besides the United Kingdom Ministers specially responsible for the conduct of the war, of the Prime Ministers of the several Dominions and of a representative of the Government of India. The inclusion of the representative of India, notwithstanding that India was not a self-governing State even in purely local affairs, was highly significant. India had not previously been represented at Imperial Conferences, but open recognition was now given both to the immense importance of India in Imperial affairs and to the fact that the discharge of British responsibilities towards India concerned the whole Commonwealth and was no longer the exclusive concern of the United Kingdom.

The Imperial War Cabinet was charged with the duty of formulating on behalf of the British Crown, the common sovereign of the whole group of British belligerents, the vital decisions called for by the struggle. It was hardly an executive authority in the ordinary sense, for it is impossible to think of an executive under the British parliamentary system as being responsible to more legislatures than one. And, in fact, its decisions had to be and were carried out severally by the several executives whose heads composed the War Cabinet. It was described by Sir Robert Borden as "a Cabinet of Governments," and the phrase is appropriate if a Cabinet is thought of not as a body corporate but as a private meeting-place. As in the case of a single Government the Cabinet is the place where departmental Ministers meet to adjust their differences, if any, and to agree upon a common policy which is subsequently carried out by the executive action of each in his own department, so in the case of the British Commonwealth the War Cabinet was the corresponding forum for the deliberations of the chiefs of the nations composing it.

The analogy is not perfect; for in a single State the Cabinet system provides machinery for dealing with

The Meeting of the Imperial Cabinet

irreconcilable differences of opinion between colleagues when they arise, as they not infrequently do. The War Cabinet system provided no such machinery, but happily no irreconcilable differences arose; and it cannot be doubted that the tremendous external pressure of the war operated powerfully to prevent them.

With the end of the war the Imperial War Cabinet passed away; and it was the diversity of the parts rather than the unity of the whole British Commonwealth that received emphasis alike in the negotiations that led up to the Treaty of Versailles and the Covenant of the League of Nations, and in those documents themselves. The Treaty was signed by the representatives of the Dominions and of India as such, each signing on behalf of the particular community represented by him. These several communities are, as such, members of the Assembly of the League of Nations, enjoying in it a status recognised as equal with that of the United Kingdom or of any foreign Power; and Australia and South Africa have received mandates for the government of territories once forming part of the German Empire direct from the principal Allied and Associated Powers.

Perhaps the clearest and boldest exponent of the new orthodoxy has been General Smuts. Among many public utterances of his since he returned to South Africa from Paris it will be sufficient to quote one. Speaking in the Union Parliament in September, 1919, he said:—

Until last year British Ministers had signed all documents and dealt with all matters affecting the Dominions. But a change had come about in Paris when representatives of the Dominions had, on behalf of the King, for the first time signed the great documents on behalf of the Dominions. The change was that in future the representatives of the Dominions should act for the Dominions. This precedent had now been laid down for the future. The British Constitution was most elastic, and the precedent might bring about the greatest changes. Where in the past British Ministers could have acted for the Dominions, in future Ministers of the Union would act for the Union. The change was a far-reaching one which

The Genesis of the Meeting

would alter the whole basis of the British Empire. In future all parts of the British Empire stood exactly on the same basis.*

General Smuts has repeated this thesis again and again in the course of his electoral struggle with the forces of secession arrayed against him under General Hertzog. He has been emphatic that South Africa cannot be committed to war, or even to peace, without her own act ; but he has pointed throughout to the link between the different nations of the Empire afforded by their common allegiance to a single Crown, and he has at no time gone beyond the implications of the formulæ used by the leading statesmen of the United Kingdom itself. These statesmen have recognised not merely that the Dominions have reached "equality of national status" with the Mother Country, but that the Imperial burden has become so heavy that the Mother Country cannot, if she would, long continue to bear it alone, and that, if that burden is to be shared with the Dominions, power must equally be shared with them. The other Dominion Prime Ministers have spoken in the same sense as General Smuts.

It has not, however, escaped notice that the reconciliation of the doctrine of absolute equality as between the Dominions and the United Kingdom with the doctrine of the unity of the British Empire presents difficulty. In 1917 the "Imperial War Conference" which sat simultaneously with the Imperial War Cabinet resolved "that the readjustment of the constitutional relations of the component parts of the Empire is too important and intricate a subject to be dealt with during the war, and that it should form the subject of a special Imperial Conference to be summoned as soon as possible after the cessation of hostilities ;" and in the course of the session of the South African Parliament, to which reference has already been made, General Smuts indicated that it would be necessary to alter the form of inter-Imperial relations in

* For a fuller statement of General Smuts' position see the South African article in *THE ROUND TABLE* for March, 1921.

The Meeting of the Imperial Cabinet

order to bring them into harmony with what he had stated to be the substance.

There for the time being the matter rests. How the orthodox believer of to-day is to worship the diversity in unity and the unity in diversity of the British Commonwealth, neither confounding the persons by undue centralisation nor dividing the substance to the point of the complete independence of its parts, is a question which awaits solution by some Athanasius of Empire who has not yet appeared and would probably find himself *contra mundum* if he did. For the present this fundamental question is shelved. Its solution, we have been officially told, forms no part of the task of the meeting of Prime Ministers to be held in June. The constitution of that meeting is to be the same as that of the Imperial War Cabinet, which we have described, though it is to address itself to the problems not of war but of peace; and there are many very pressing problems of the most practical moment which await its attention. Our method, as is customary with us, is to be empirical. On the eve of quitting office Lord Milner said:—

Everybody knows, without doubt, the part taken by the Dominions in Paris in 1919, and the fact that they became independent signatories to the Peace Treaty has been commented upon and its significance emphasised until people must be weary of hearing about it.

There has never been any question in my own mind as to the status of the Dominions in the Empire. I have said years before now that all vestige of subjection on their part to the Mother Country must disappear, as it has in fact disappeared, and that the only basis on which the Empire could survive as a political entity was the basis of partnership. That appears to me to be simply a commonplace, and the whole problem with which we are now faced is how to make the partnership work. That is not at all easy, and it seems to me that our time would be better spent if, instead of going on affirming and reaffirming the independence of the Dominions, which nobody disputes, we should concentrate our attention on the practical point, which is how six independent governments at different ends of the earth can give one another the greatest mutual assistance and how they can most effectively uphold the interests which they

The Problems Before the Meeting

have in common. . . . All sorts of things are happening which affect the future of Empire, with regard to which we ought to have a common policy. It is of urgent importance that the several independent States should come to a good understanding on these immediate practical problems. In the absence of any regular recognised method of consultation we have to find some temporary expedient for interchange of views, and to that end it has been agreed that there should be a meeting of the Prime Ministers of the different Empire States next June to deal with urgent questions of common interest which simply cannot wait.

It is in that spirit that it is contemplated that the Imperial Cabinet will meet.

II. THE PROBLEMS BEFORE THE MEETING

THE practical problems with regard to which the adoption of a common policy for the Empire is a matter of such urgent importance fall into two classes, the external and the domestic.

(i) The external are those problems of international politics which result from the Great War. The United Kingdom can no longer face them alone and assume the sole responsibility for dealing with them, both because of the new status of equality which the Dominions have acquired, and because, burdened as she is with war debt, she is no longer strong enough to maintain alone the position in the world which the British Empire has held in the past. True it is that all the Great Powers of Europe have emerged from the war proportionately more weakened than the United Kingdom, and that the armed might of Germany has disappeared, as has that of Russia. But the United States and Japan have emerged proportionately far stronger than before, and while it is legitimate to hope that in the course of years the League of Nations may develop a moral force which may diminish the importance of national strength, it is unhappily still the case that the settlement of international affairs depends in the last resort

The Meeting of the Imperial Cabinet

on the relative power of the nations concerned in them. Potentially the United States is to-day the strongest Power in the world. A spirit of Chauvinism has been perceptible in America since the disappearance of President Wilson and the election of his Republican successor ; and, though the United States continue to hold themselves somewhat ostentatiously aloof from the diplomatic entanglements of Europe, they might be disposed to make, and could if they were so disposed make themselves the paramount Power in the Pacific. Such a policy would be apt to bring the United States into conflict with Japan, especially in regard to the future of China, where America stands for the open door, while Japan is generally credited with the desire to establish for herself a predominant position, and might force Australia, New Zealand, and Canada, if they remained in isolation and declined to take their full share in what has hitherto been the burden of the United Kingdom, to look to the United States rather than to the United Kingdom as the ultimate protector of the position they enjoy.

The problem here, then, is what should be the policy of the British Empire in regard to the United States, and, arising out of that, what should be the policy in regard to the renewal of the Anglo-Japanese Alliance, what measures of naval armament are required to execute any policy that may be adopted, what provision by way of dockyard facilities, fuelling stations and the like is required to carry out any agreed naval programme, and in what proportions is the cost of carrying out such programme to be borne by the British partner-nations concerned ?

It will probably be found that the principal object at which the foreign policy of the British Empire should aim in its non-European aspect is a secure friendship with the United States. Now as always, and more than ever before, the supreme interest of the British Empire is peace ; and just as strife between the two great states of the English-speaking world would be of all international crimes the

The Problems Before the Meeting

most horrible, so permanent co-operation between the two offers the best hope for the permanent tranquillity of the world. The complete attainment of this object may in the present temper of men's minds involve some sacrifice on our part. It is probable, indeed, that it may even be necessary for us to resign the position which we have so long maintained of being the strongest naval Power of the world, and to be content with a position, not indeed of inferiority to any other naval Power, but of equality with another if that other be the United States.

The wise course would seem to be to endeavour to reach an understanding with the United States, whereby competition in naval construction should be definitely avoided. Great Britain has already officially announced its willingness to accept the principle of equality as between the United States and the British navies. If the United States and the British Empire can each accept a foreign policy in which friendship with the other is the cardinal element, it should not be difficult to work out the implications of that policy in regard to the problems of the Pacific and the Far East ; but the task involves, as already stated, the finding of an answer to the question of the renewal of the Japanese Alliance.

This question was discussed in *THE ROUND TABLE* for December, 1921, in an article entitled "The Anglo-Japanese Alliance," and it is not necessary here to repeat the argument of that article. The conclusion there reached was that we required friendship both with the United States and Japan, and that "the whole Far Eastern question should be frankly and openly discussed at a conference at which the United States, Japan, China, Great Britain, Australia and New Zealand, Canada, South Africa, and India, and if possible France and Russia, should be represented." The desirability of such a conference seems undeniable, but the question has first to be decided with what policy in their minds the British nations should enter it. If that policy is one of close and firm friendship

The Meeting of the Imperial Cabinet

with the United States, based on equality of armament, it ought to be one of close friendship with Japan. The rôle of the British Empire is clearly that of mediator between the European and the Asiatic races, and, if Japan accepts the principle of equality of opportunity and the open door for all nations in China, there ought not to be any difficulty in finding the basis of an all-round understanding. A renewed Anglo-Japanese Treaty might be part of such an arrangement, though the treaty would probably not take its present form. The Imperial Cabinet in June can hardly do more than agree on general lines of policy. It cannot frame a British naval programme, even if the possibility of arriving at a firm agreement with the United States involving equality of armament with them be taken for granted. The strength of the two equal navies must in a large measure depend on the Japanese programme, and it is only at a subsequent international conference that it will be possible to discover whether any agreed limitation of that programme can be fixed. But the Imperial Conference can discuss and, it is to be hoped, settle the method in which the various partner nations will contribute to the total defensive strength of the Empire, whatever that total may have to be.

It has to be borne in mind that naval power means not only ships, guns and men, but adequate docking and fuelling facilities and the like. If, for example, the execution of an Imperial policy agreed upon in concert by all the partner nations requires the employment of "post-Jutland" battleships in the Pacific, there must be a sufficiency of British dockyards in those waters capable of receiving them. Their situation has to be determined. The fair distribution of the responsibility for the cost and management of dockyards, no less than of ships and men, is a matter to be agreed upon between the partners. The problem of unity of command has to be faced, and cannot be left to await, as in 1918, the extreme crisis of danger.

The other great group of questions of foreign policy

The Problems Before the Meeting

which confront the British Empire is, of course, that connected with the execution of the Treaty of Versailles and the measures which may be necessary to enforce it against Germany. Bound up with these questions is the problem of the economic reconstruction of Europe and that of British relations with European Powers, and specially France. British interests and the interests of world peace alike call for the maintenance of friendship with France. There is no doubt that this is recognised in Great Britain, and that such friendship is very generally desired. It is true that in recent months there has been anxiety as to where French policy with regard to Germany was going to lead, but now that France has agreed to a reasonable settlement of the Reparation question, these doubts are likely to subside. There are some, indeed, who think that Great Britain ought to enter into a special arrangement guaranteeing France against German aggression. They contemplate, no doubt, a corresponding guarantee on the part of France as regards the security of the British Empire, at any rate at certain dangerous points. It is, however, certain that no such arrangement would meet with general approval in this country unless it were accompanied by a serious determination on the part of both nations to establish relations of understanding and co-operation with Germany. The future peace of the world depends upon acceptance by the United States, the British Empire, France and Italy of the policy of co-operation in protecting and giving further effect to the principles for which these nations stood together during the war. Perhaps the League of Nations was not the machinery best contrived for promoting that co-operation, but the idea implicit in it is as sound and potent as ever. But its co-operation cannot succeed unless it aims at bringing within its orbit all the other great nations of the world, and especially our late enemies. A combination of the Allies designed to maintain their ascendancy over other Powers or to coerce their enemies could only end in the creation

The Meeting of the Imperial Cabinet

of another combination rivalling it in power. If the purpose of the war is to be achieved, this must at all costs be avoided, and that can only be done by the Great Powers repudiating aggression or aggrandisement for themselves and securing the co-operation and adhesion of other Powers to the principles for which they stand.

The Dominions, though not so directly interested in Europe as Great Britain, are inevitably concerned in European affairs, as the late war showed. It is essential, therefore, before any orientation of British policy consequent on the rejection by America of the League of Nations and the gradual completion of the peace settlement in Europe is decided, that the whole situation should be discussed with the Dominions, and the policy of Great Britain moulded by their necessities and desires as well as its own. For the success of British policy depends in the last resort on the power behind it, and that in turn depends upon the thoroughgoing determination and support of public opinion, not in Great Britain alone, but in the Dominions as well.

The same is true of British policy in regard to Russia, and the mandated territories in the Near East, departments of affairs which particularly concern India ; and in regard to Egypt, where the problem arises of reconciling a generous measure of local self-government for the Egyptians as recommended in the Milner report with the effective British control and protection of the Suez Canal, the highway of trade to the East and Australasia, and of providing the men and money necessary for that object.

No words more fittingly set out the present position as regards defence than the following used by the Prime Minister last February in Parliament :—

It is too much to ask these small islands, with the gigantic burdens they are bearing, and bearing very gladly, to undertake themselves the whole burden of the defence of this gigantic Empire in every sea, Atlantic and Pacific alike. I am looking forward to the meeting of the Prime Ministers of the Empire which will take place in June

The Problems Before the Meeting

as an occasion for raising the whole problem of Imperial defence. There must be co-ordination not merely between the services but between the various parts of the Empire. When we were in trouble the Empire came to our help. We drew over a million men voluntarily from India and over a million men from the Dominions, and without their aid we could not have achieved those gigantic triumphs which now stand to the credit of the British name. But that was a spasmodic effort ; it was an effort which surged up out of a great instinct of the Empire. . . . If there is a general sense that we must make common cause to defend the liberties of the world and the interests of the Empire, and if it is known that, in the event of some great upheaval like the late War, the Empire is ready in future to repeat the great effort of the past, that will be one of the soundest guarantees for peace, for this British League of Nations has also got a word to say in the settlement of the world's affairs.

(ii) The domestic problems which await the meeting of the Imperial Cabinet are such as could only find their real solution if the greater problem of the permanent constitutional relation to one another of the partner nations in the British Empire in the new order of things had first been decided upon. We have seen that it is recognised on all hands that that problem awaits solution, and that the form of our institutions to-day is out of harmony with the substance, but that the attempt to solve it has been postponed and is not to be undertaken at the forthcoming meeting in June. Yet, since the necessity for facing it is acknowledged, it would seem that it will have to be decided at that meeting what the nature of the Imperial Convention which is to handle it is to be, and what is to be the date of its assembly. The attempt to deal now with minor questions the answers to which should logically follow and not precede the answer to the larger question, since in reality they depend upon it, is bound to be somewhat unsatisfactory. It is rather as though a legislative assembly should resolve itself into committee to discuss the details of a measure without having agreed upon its principle and passed its second reading. Yet the minor questions are urgent. Some temporary answer to them at any rate must be found ; and perhaps it is in accord with the empirical habit of the

The Meeting of the Imperial Cabinet

British mind to deal first with matters of practical detail rather than to attempt at the outset to formulate a general principle and then to deduce from it the answers to questions of detail.

The questions immediately arising relate to the practical working of a system of voluntary co-operation between a number of nations, each recognised as enjoying for all purposes, external as well as internal, absolute equality of status, each governed according to the British parliamentary system, and yet indissolubly linked together by a common allegiance to a single hereditary sovereign. How, seeing that distance still prohibits frequent personal consultation between Ministers from the different parts of the Empire, is that constant intercommunication postulated by the co-operative system to be provided for? Is the common sovereign to continue to be represented in each Dominion by a Governor-General sent out from the United Kingdom and appointed on the advice of the United Kingdom Government of the day, and is he to continue to be the officer primarily responsible not only for the performance in his Dominion of formal acts of sovereignty, but for the duty of keeping the Home Government informed of the affairs of his Dominion, and of interpreting to the Home Government the policies of his Ministers, and to his Ministers the policies of the Home Government? Or if the practice of sending out Governors-General from the United Kingdom is to continue, is each Dominion Government to have such a right of veto over the appointment of the individual proposed to be sent to it as to amount, in effect, to the right of selecting the individual? Or is his selection to be entrusted frankly to the Dominion Government, and if so, is he normally to be a citizen of the United Kingdom or of the Dominion concerned? Or is the office of the Governor-General to be discontinued? If so, in the necessarily long intervals that must separate the personal meetings of Prime Ministers is communication between them to be carried on purely by

The Problems Before the Meeting

correspondence, or are the Dominion Governments to have accredited representatives in London and in each other's capitals? If so, are such representatives to be highly placed officials like the High Commissioners whom the Dominion Governments maintain in London to-day, or are they to be Ministers, colleagues, though subordinate colleagues, of the Dominion Prime Ministers themselves? If the latter, how in their case is that constant contact which a Minister should have with the Parliament and electorate, to which along with his colleagues he is responsible, to be provided for? And how, if the office of Governor-General appointed by the Government of the United Kingdom to the Dominion is to become a thing of the past, is the Government of the United Kingdom to secure its own effective representation through one of its own chosen and trusted servants at the capital of the Dominion?

A corresponding crop of questions arises in connection with the representation of the Dominions at foreign capitals. That they must be represented there in some way is obvious, and it might be held that they cannot continue indefinitely with satisfaction to themselves to be represented by British Ambassadors and Ministers appointed by, and responsible to, the British Secretary of State for Foreign Affairs, who is himself responsible to the Government and Parliament of the United Kingdom alone. Such a system was well enough while the doctrine was held of the leaving by the Dominions to the Mother Country of the control of foreign affairs, but seems incompatible with the new theory that the Dominions are to all intents and purposes sovereign international states. For no man can serve two masters, and no Ambassador more than one Government. Are the Dominions, then, to be separately represented by envoys of their own at foreign capitals? Canada has declared her intention of being represented at Washington, though she has not yet appointed her representative, and there would seem to be not inconsiderable

The Meeting of the Imperial Cabinet

local opposition to his appointment. Are the Dominion Governments to receive at their own capitals accredited representatives of foreign states possessing not merely consular, but actual diplomatic status? This is what the theory of complete equality as between the Dominions and the Mother Country might seem to call for. But if this course is adopted, how are the risks involved in divergence and inconsistency in foreign policy between a Dominion and the Mother Country or between one Dominion and another to be guarded against? Would not any movement for the separate diplomatic representation of the Dominions in itself presuppose that such divergence and inconsistency are more than a theoretical possibility? If it were not a real possibility, why should not a single British Ambassador or Minister at each foreign capital suffice for all practical purposes? Would there be any object in multiplying diplomatic offices by superadding Dominion representatives, except that of affording outward signs of the equality of the Dominions with the Mother Country? Is it not just because the foreign policy of the Mother Country may not in all cases be the same as that of the Dominions that the question of the separate diplomatic representation of the latter arises? Yet it can hardly be denied that divergent foreign policies pursued by different parts of the Empire would involve danger to the unity of the Empire. And where divergences of policy existed, would not separate diplomatic representation tend to accentuate them? How are the instructions to British and Dominion diplomats to be drawn so as to minimise this danger? And if no effective answer can be found to this question, what becomes of the unity in international affairs of the British Empire, the recognition of which is no less a part of the new orthodoxy than the recognition of the equality *inter se* of the members of it? How, if a number of British Ambassadors at the court of a foreign Power speak with different voices, is the foreign Power to tell which is the authentic voice of the King, whom they all alike represent,

The Problems Before the Meeting

of the single sovereign of the British Empire, the international unity of which foreigners as well as British subjects are called upon to recognise?

As in the case of the external questions, so in the case of the domestic questions that must come before the Imperial Cabinet, it is easier to formulate them than to attempt any answer. Such an attempt, indeed, must savour of impertinence, but certain general considerations inevitably suggest themselves.

Thus the existence of an equal status between the Dominions and the United Kingdom involves more than the right of the former to have plenipotentiary representatives of their own at the capital of the United Kingdom. It also involves the right of the latter to have a plenipotentiary representative of its own at the capital of each Dominion. It may be that the Dominions will prefer that the Governors-General should not in future fill, as they have hitherto filled, that office. They may desire the appointment of nominees of their own. But if effect were simply to be given to that desire, reasonable and legitimate as it would be in itself, the United Kingdom would be deprived of representatives of its own in the Dominions, while the Dominions would be left with representatives of their own in the United Kingdom.

A reasonable course, if the Dominions desire to have the appointment of their own Governors-General in their own hands, would seem to be to separate the formal and social functions of the Governor-General, which are analogous to those of a constitutional monarch, from what may be called his quasi-ambassadorial functions; and for the Dominion Government to appoint any person agreeable to itself to discharge the former, while the Government of the United Kingdom should appoint a servant of its own to perform the latter, and to hold a position in the Dominion exactly analogous to that of the representative of the Dominion in London. In the particular case of South Africa the United Kingdom's local representative would

The Meeting of the Imperial Cabinet

have not only quasi-ambassadorial functions, but also those involved in the discharge of the duties at present resting directly upon the Government of the United Kingdom in regard to the administration of Rhodesia, Basutoland, Swaziland, and the Bechuanaland Protectorate. He must clearly, therefore, be a servant of the United Kingdom Government appointed by and directly responsible to it.

It will probably be found unnecessary that these Dominion and United Kingdom representatives should be Cabinet Ministers. It is true that the Imperial War Conference in 1918 resolved that the Dominions could be represented in London by colleagues of the Dominion Prime Ministers, but in no case has any such appointment yet been made. There could be no objection to the appointment of Cabinet Ministers on the part of the Governments to which they were accredited, but from the point of view of the Government appointing them there are, as has already been noticed, considerable difficulties. The system of appointing Dominion High Commissioners, distinguished citizens but not Cabinet Ministers, has worked well; and there seems little reason to change it, especially if personal meetings between the Prime Ministers themselves are to be fairly regular and frequent. The system is indeed the same as that adopted in the international sphere, where the separate sovereign states are represented at each other's capitals for all ordinary purposes by Ambassadors, very eminent civil servants but not Ministers. The system offers no bar to personal meetings between the Ministers of the different states, when, as has so constantly occurred during and since the war, matters arise of such importance as to render personal meetings necessary.

The questions which, as has been noticed, arise in connection with the representation of the Dominions at foreign capitals are exceedingly difficult. The mere formulation, attempted above, of these questions is sufficient to indicate their difficulty. It may perhaps be said that they

The Problems Before the Meeting

will afford the test of whether the system of permanent voluntary co-operation between equals is really in the end a workable one or not. It has been seen that the separate representation of the different British nations at foreign capitals presupposes the possibility of divergence and inconsistency of policy between them and tends to accentuate such divergence and inconsistency. It may even be said that to decide at the outset that separate diplomatic representation is necessary, is to assume, without fair trial, that that co-operation on which the new orthodoxy is based has broken down already or must inevitably do so; and to commit ourselves to a course which leads directly to separation—nay, itself directly involves separation, open and avowed.

To predict what final form the representation at foreign capitals of the different nations which compose the British Commonwealth will take, or even to attempt to say what form it should logically take, is not within the purpose of this article. The British custom of proceeding empirically has already been mentioned, and the practical question at this moment is what is the next step to be. The principle of co-operation between equals no doubt demands that the Governments of the Dominions shall have equal power with the Government of the United Kingdom and with each other in framing the foreign policy of the Empire, equal access to all the available sources of information in the light of which foreign policy must be framed, equal power in carrying it out, and an equal share in the control of the machinery set up for that purpose. To whatever conclusion these premises may ultimately lead, they certainly require that the Governments of the Dominions should as soon as possible, equally with the Government of the United Kingdom, come into the closest contact with the hard realities of foreign politics and should have, as the Government of the United Kingdom has had for centuries, the opportunity of gaining in that stern school the practical experience which alone enables an Empire to shape its

The Meeting of the Imperial Cabinet

course. It is a matter of urgent and practical necessity that they should have eyes and ears in the outside world.

But more than that is necessary to meet the needs of the times. There is already in certain foreign capitals a considerable amount of international business which primarily or even exclusively concerns one or other of the Dominions. At Washington, for instance, business of this kind is continually arising between Canada and the United States. The same thing is beginning, though as yet to a less extent, to be true of Japan and Australia at Tokyo. There is no doubt that business of this kind can often be settled most smoothly and expeditiously by direct negotiation between the foreign Power and the Dominion immediately concerned. It has, indeed, as already mentioned, been decided that Canada is to have her own representative at Washington. Any such scheme must, no doubt, be attended with difficulties. The principle of co-operation presupposes that foreign policy shall be determined upon by the partner nations of our Commonwealth in concert, and is inconsistent with separate and isolated action on the part of any of them. Arrangements have, however, been designed with the object as far as possible of meeting these difficulties and of avoiding the danger of separate representation. The Dominion representative would, it is understood, take up his quarters at the British Embassy, of which indeed he would become an important part. He would not only deal with the foreign Government directly in matters which are the particular concern of his own Dominion, but he would act as British Ambassador on occasions when the Ambassador himself happened to be absent. He would naturally have access to all papers and see everything that went on, while on his side he would keep the British Ambassador informed about any international business that was being directly transacted by himself. Problems of an essentially Imperial character would, as in the past, be dealt with through the British Ambassador.

The Problems Before the Meeting

As for eyes and ears, the Dominions would receive reports direct from their own representatives in cases in which they decided that it was necessary for them to be directly represented in a foreign capital. In other cases where the duty of representation was still left to Great Britain alone, copies of reports made to Whitehall should, it is suggested, be sent to the Governments of all Dominions, which would thus be kept in close touch with what was happening.

It may be said that such arrangements as are outlined above are only a makeshift; but that is not in itself necessarily a disadvantage, for experience alone can show how far the necessities of the situation are capable of being met even temporarily in such a manner, and we must trust to time to reveal in what respects modification can with advantage be made. Success admittedly depends upon a considerable degree of mutual trust and goodwill.

But even if the scheme should sooner or later have to be replaced by something else, the experiment will not have been in vain, for valuable experience will in the meantime have been gained in the intricacies of foreign affairs by the Dominions, and in the art of practical co-operation by the whole Commonwealth. We should thus be, all of us, in a better position to face the problem in whatever guise the future may present it.

THE UNITED STATES AND THE OLD WORLD

THE tumult and the shouting on Capitol Hill have subsided. The broken statesman "with snow-white hair, bowed back, distorted features and emaciated frame" has taken his way to his house in the outskirts. Mr. Woodrow Wilson has passed from the political life of his country. The American Shakespeare will have a great theme for his tragic masterpiece. Generations yet unborn will stand aghast at the portents of Paris, will behold the conspirators, Johnson and Borah and Lodge, will learn to quote from that noble funeral oration of General Smuts: "It was not Wilson who failed. . . . It was the human spirit itself. . . . The spirit of goodness and truth in the world is still only an infant crying in the night." And when the curtain has fallen on the last act, a few in the audience will sit up to weep, a few will go to a music-hall or a cabaret, but most will be tired and go to bed. They will want to forget and get "back to normalcy."

I

ON April 12, 1921, at one o'clock in the afternoon, Mr. Harding, continuing the custom which Mr. Wilson had revived after a century of disuse, appeared in the chamber of the House of Representatives and read to the members of the Senate and House of Representatives there assembled in

The United States and the Old World

joint session the first message of the new Administration. For half an hour he dwelt upon the domestic problems of the nation while his hearers listened patiently for his solution of those problems of foreign policy which for nearly two and a half years of bitter strife had awaited their settlement. At length their patience was rewarded. "There is no longer excuse for uncertainties affecting some phases of our foreign relationship. In the existing League of Nations, world governing with its super-powers, this Republic will have no part." Floor and galleries, which had hitherto been listless, burst forth into applause. "There can be no misinterpretation," the President continued, "and there will be no betrayal of the deliberate expression of the American people in the recent election; . . . it is only fair to say to the world in general, and to our associates in war in particular, that the League Covenant can have no sanction by us." Here was the crown of victory for the Irreconcilables. The Paris League had been scrapped. President Harding before Congress had done as candidate Harding had done at Des Moines before the people. He had not sought to clarify the obligations of the League; he had turned his back on them. The doubts which had arisen over the "plank" in the Republican platform (June 10, 1920), which was accused of "straddling the League issue," were resolved. The task of those diligent thousands who had sought to read the future in the flickering light of the campaign pronouncements was ended. Some of the tenderest and devoutest hopes ever cherished in the human breast died in that moment of applause. But this did not darken the hour of victory for the applauders. Senators like Lodge, Johnson, Borah, Knox, Moses, McCormick and Brandegee, who had entirely dominated the Senate Committee on Foreign Relations, standing unwaveringly "by the principles and policies of Washington and Monroe and against—utterly against—those of Mr. Wilson," must have felt the President's words as marking the consummation of a personal triumph.

The United States and the Old World

However, there was short time for rejoicing. The President went on, with scarcely a pause :—

We yearned for an association of the nations as a "new instrument of justice."

Manifestly the highest purpose of the League of Nations was defeated in linking it with the treaty of peace and making it the enforcing agency of the victors of the war. International association for permanent peace must be conceived solely as an instrumentality of justice, unassociated with the passions of yesterday, and not so constituted as to attempt the dual functions of a political instrument of the conquerors and of an agency of peace. There can be no prosperity for the fundamental purposes sought to be achieved by any such association so long as it is an organ of any particular treaty, or committed to the attainment of the special aims of any nation or group of nations. . . . We wish (the new association of nations) to be conceived in peace and dedicated to peace, and will relinquish no effort to bring the nations of the world into such fellowship, not in the surrender of national sovereignty but rejoicing in a nobler exercise of it in the advancement of human activities amid the compensations of peaceful achievement.

Calling attention to the fact that Europe was technically at peace and actually at war while America was actually at peace and technically at war, he proceeded to say that he should approve a declaratory resolution by Congress to establish the state of technical peace without further delay "with the qualifications essential to protect all our rights."

Such action would be the simplest keeping of faith with ourselves, and could in no sense be construed as a desertion of those with whom we shared our sacrifices in war, for these powers are already at peace.

Such a resolution . . . must add no difficulty in effecting, with just reparations, the restoration for which all Europe yearns and upon which the world's recovery must be founded. Neither former enemy nor ally can mistake America's position, because our attitude as to responsibility for the war and the necessity for just reparations already has had formal and very earnest expression.

It would be unwise to undertake to make such a statement of future policy with respect to European affairs in such a declaration of a state of peace.

Thus far all was plain and according to the counsels of the Irreconcilables. Then, however, followed a passage

The United States and the Old World

which surprised and mystified many of the President's hearers :—

With the super-governing League definitely rejected, and with the world so informed, and with the status of peace proclaimed at home, we may proceed to negotiate the covenanted relationships so essential to the recognition of all the rights everywhere of our own nation and play our full part in joining the peoples of the world in the pursuits of peace once more. Our obligations in effecting European tranquillity, because of war's involvements, are not less impelling than our part in the war itself. This restoration must be wrought before the human procession can go onward again. We can be helpful because we are moved by no hatreds and harbour no fears. Helpfulness does not mean entanglement, and participation in economic adjustments does not mean sponsorship for treaty commitments which do not concern us, and in which we will have no part.

It would be idle to declare for separate treaties of peace with the Central Powers on the assumption that these alone would be adequate, because the situation is so involved that our peace engagements cannot ignore the Old World relationship and the settlements already effected, nor is it desirable to do so in preserving our own rights and contracting our future relationships.

The wiser course would seem to be the acceptance of the confirmation of our rights and interests as already provided and to engage under the existing treaty, assuming, of course, that this can be satisfactorily accomplished by such explicit reservations and modifications as will secure our absolute freedom from inadvisable commitments and safeguard all our essential interests.

Neither Congress nor the people needs my assurance that a request to negotiate needed treaties of peace would be as superfluous and unnecessary as it is technically ineffective, and I know in my own heart there is none who would wish to embarrass the Executive in the performance of his duty, when we are all so eager to turn disappointment and delay into gratifying accomplishment.

On these great questions he should seek the advice of the Senate.

Baldly put, then, the President's message counselled four things : (1) Scrap the Paris League ; (2) terminate the war by a joint resolution of Congress ; (3) accept the treaty purged from the pollutions of the League ; (4) create a new association of nations.

The United States and the Old World

In the first course the President had accepted the counsels of such men as Senators Borah and Johnson. In the second he virtually declared for the resolution of Senator Knox. In the third he voiced the ideas of Mr. Hughes and Mr. Hoover as expressed in their pre-election utterances. In the last he held forth the same promise of a new and better League which he had made in his campaign speeches, an idea attributable to no one in particular but fondled and caressed by many a Republican "on the stump" and in the press.

How shall we estimate these four doctrines and what will be their practical results?

In the first place, it will apparently be henceforth useless for European statesmen to attempt to beguile the United States by promises of additions and alterations to the structure at Geneva. All the efforts of Europeans, from Viscount Grey to M. Viviani, seem now to have gone for naught. No doubt to thousands of thinking men in England and on the Continent, as well as in America, this can appear as nothing short of a calamity. Yet let us not be too harsh in our judgment of those Senators who compassed the rejection. They gained nothing for themselves. For a while even they fought not merely against the Administration but against the press and what seemed the majority of the country. If their victory operates to postpone the day when peace shall prevail among the nations and concord and harmony shall be the rule and not the cherished exception in international relationships, set it down not to the baser influences which thwart the highest purposes of man but to the frailty of human vision, which is an attribute of the wisest statesman. Those few miles of turbulent currents between the South Foreland and Gris Nez have produced in England a law and polity different from those of the Continent of Europe. A dozen Channel tunnels will scarcely give England the Continental outlook on world affairs. How much less can we expect it in America, separated from Europe by a thousand leagues of

The United States and the Old World

ocean? The space-obliterating devices of modern transport and communication have brought the New World and the Old into new physical contacts, but spiritually they are apart and the day of their union is not yet.

In referring to a termination of the war by a joint resolution of Congress, President Harding evidently had in mind the Knox resolution which had been introduced in the previous session of Congress and which was again presented with some modifications on April 13, 1921, the day following the President's message. This resolution, as originally presented, simply provided for the termination of the state of war, and added a general declaration of foreign policy without preserving any American rights under the armistice agreement of November 11, 1918, or the Treaty of Versailles. All these rights, however, the President evidently means to preserve. Therefore the Knox resolution was subjected to certain modifications.

In its platform the Republican party pledged itself to the prompt restoration of a state of peace with Germany, whereupon, as Mr. Harding promised in the campaign, "our boys" should come home from Germany, where, as he said, "they hadn't any business." It is now doubtful, however, whether the American troops will be withdrawn from the Rhine immediately on the passage of a joint resolution by Congress. To one who knows American opinion or studies the utterances of American leaders there can be no thought of America's deserting her allies or wishing to encourage the recalcitrance of Germany. But if the American troops are withdrawn immediately after the passage of a joint resolution, regardless of the operations of the French and British troops in the Rhine basin, it would seem that misunderstandings would be inevitable. When the last doughboy had gone from Coblenz many a German peasant and many a French poilu, ignorant of Presidential messages and Senatorial debates, would interpret the departure as an act of forgiveness to the one and of betrayal to the other. President Harding will be well advised if he

The United States and the Old World

deals with the American troops on the Rhine quite apart from the termination of the technical state of war. The Allies must be made to understand our continued loyalty, and Germany must somehow have brought home to her our unshaken faith in her responsibility for the war and our resolute conviction that in so far as possible she shall repair the damage she has done. If she goes on indefinitely baulking at the fulfilment of the terms of the treaty it is difficult to see how America can regard her delinquencies as simply *res inter alios acta*. If Germany does not pay the amount of reparations demanded by the Allies, then some of Germany's creditors will almost certainly be unable to pay their debts to the United States, and we shall reach a financial result that Americans are not now ready to accept.

It is apparent from the third of the President's propositions that the measure of America's rights and obligations in Europe is to be in so far as practicable, but with certain exceptions—*i.e.*, the League Covenant—the Treaty of Versailles. The sharpest criticism of Mr. Harding's message came at this point. Senator Reed (Democrat of Missouri) said bluntly, "What the President said about the League suits me. I do not know what he means by the rest of it." It may be suspected that some of the President's warmest adherents entertained some secret sympathy for the Democratic Senator's inability to comprehend.

What are to be our engagements under the existing treaty and how would Mr. Harding have them interpreted? No doubt he would have us parties to the liberation of the new States of Eastern Europe. Clearly he would have us a party to Article 119, whereby Germany renounces in favour of the principal Allied and Associated Powers all her rights and titles over her overseas possessions. But will there, for example, be an American representative sitting with full powers on the Reparations Commission, and will American representatives act with those of the Allies in considering the extent to which Germany has fulfilled and can fulfil her financial obligations under the treaty? If so,

The United States and the Old World

then certainly the Allies will receive from America a large measure of the co-operation which they most desire. But thus far we can only speculate. If the whole Treaty is to be strained through the Senatorial sieve once more, it is not an encouraging prospect for either continent.

Lastly, the message suggests the query, what is to be the character of this new Association of Nations which Mr. Harding offers as an alternative to the present League? Will it be, as Mr. Harding once suggested in the campaign, an Association like the Hague Court, "with more teeth in it," or will it be an Association resembling the present League only with Article X stricken out, and, substituted for it, a negative covenant against aggression as suggested by Mr. Lansing in his recent book?* And will it be anything which Europe can accept, or will there be more years of bickering and contrariness about this article and that? These, again, are questions which time alone can answer.

It may safely be prophesied that American immixture in European affairs will be sparing and reluctant.

There are many considerations which will inevitably and for a long time to come act as very strong deterrents to America's participation in World politics. Some of these deterrents were admirably set forth in the letter of an American in the *ROUND TABLE* for March 1919 replying to an article in the number of December 1918, wherein it was stated that America's future position in the world, not that of the conquered empires of Central Europe, was the great issue of the Paris Conference, and an eloquent appeal was made to America for the assumption of all the responsibilities which her entry into the war had forced upon her.

The writer of this letter dwelt on the absence of trained administrators in America capable of the work that an Imperial state involves, and on the conservative tendency of the American people to adhere to a traditional policy.

* *The Peace Negotiations* (a personal narrative). By Robert Lansing. April 1921. Constable.

The United States and the Old World

In the light of the events of the last two years this letter is well worth re-reading.

Another deterrent to anything like American imperialism has undoubtedly been the country's reaction from the war. America's losses in human life were negligible compared to those of her allies, and in this country there has been no aftermath of pestilence and famine. Rather her first adventure in European affairs has affected America as a strong cigar affects a schoolboy. It sickens him; it may or may not prevent him from using tobacco in later life. Just now America is still in the stage of nausea. Two million odd Americans saw Europe in the years 1917-1919, and very few will ever forget what they saw. Bloodshed, racial hatred, animosities that had their roots back behind Genghiz Khan and Julius Cæsar, dynastic pride, secret diplomacy, religious bigotry, and a passion for self-determination which, once aroused, did not stop with races or peoples but raged in towns and hamlets until it almost seemed that there could not be a sizable village without an army, a navy, and goodness knew how many cabinet ministers, all praying for American assistance in the noble task of extirpating their next-door neighbours, the ex-cabinet ministers, and their other next-door neighbours — those-who-might-possibly-aspire-some-day-to-become cabinet ministers. The economic background was hunger and pestilence and Bolshevik horror. Class hate on race hate, abetted by religious hate, fanned by politicians and "patriots" and every hamlet crying out, "When will America come to set us free?"

It was not a lovely spectacle. It was a very disillusioning spectacle. Small wonder that men came back and cried out, "America to herself. Let Europe stew in the poisonous juices of her own passions. Let us keep America clean and unpolluted for our children. Let us remember Washington and Monroe and reject the League of Nations along with every other insidious attempt to embroil us in the selfishness of European diplomacy."

The United States and the Old World

Natural conservatism and the lack of a trained personnel fitted for the exacting work of colonial or imperial administration are conditions which might after a considerable period be overcome. They are matters of purely domestic concern. More important for Europe to understand is the American's distrust of Europe, bred in him by a study of her endless succession of racial, religious and dynastic controversies, and fortified by his experience of the war of which Germany was the architect but for which all the nations of Europe undeniably furnished the materials and tools. This quality of American distrust may in the last analysis be a form of self righteousness. But for better or worse, noble or ignoble, the trait exists.

On being invited to participate in European questions the American feels he is being asked to take a hand in a game with players who, if they are not unscrupulous, are at least so much more astute and experienced than he that he is sure to lose. Excessive modesty is not commonly believed in Europe to be the besetting sin of Americans. In commercial matters they do not fear European competition or rivalries. But in statecraft, the American is afraid the wily European and the even more wily Oriental is going to "slip something over on him." The Peace Conference has emphasised this feeling. One of the indictments most commonly brought against Mr. Wilson is that he traded off every one of the fourteen points to secure the accession of the European nations to the Covenant of the League. On all the evidence the indictment appears to be pretty well sustained. In the matter of mandates, America cannot help remarking that the mandates she was urged to assume were in localities where she could not profit and where she must of necessity spend large sums of money. Armenia was eagerly pressed upon us as a suitable field for a display of America's administrative talents. We were not urged to take the mandate of Syria or Mesopotamia. Both of those countries may become sources of profit to their mandatories. Syria has

The United States and the Old World

the ports of the rich hinterland of Asia Minor, Mesopotamia has oil, Armenia has massacres and starvation.

This distrust has been at the bottom of America's refusal to ratify the Treaty of Versailles and accept her share of the varied burdens of world administration. The elimination of this distrust is the task for the next generation of European statesmen if for the good of mankind they genuinely desire American co-operation. They may sincerely deplore that it is played upon by our baser, and unhappily by others who are accounted our better, politicians, but the distrust itself Europe should recognise, study and endeavour to remove. The obstacles are by no means insuperable. On the contrary time and honesty will win the most sceptical, but cynicism and corruption will only drive America into a deeper and deeper isolation.

II

TO enumerate the causes of existing or probable misunderstandings between Europe and America would be unhappily a lengthy task. To Englishmen, however, it is worth while examining some of the causes which threaten to impair Anglo-American relations.

Let it be said at the outset that our wildest Anglophobes do not seriously imagine war with England. When, a few weeks ago, the Bulletin boards quoted a "high British official" to the effect that the two countries were "drifting into war," few people were greatly disturbed. No flurries were recorded either on the stock exchange or in recruiting offices. The sober sense of the people asserted itself. They knew that it was newspaper sensationalism out of whole cloth or else a reporter's misquotation, or that the anonymous "high official" was extraordinarily ill informed. So likewise the American admiral who urged us to contemplate the possibilities of war with England offended public taste and was discredited by his hearers.

The United States and the Old World

The danger, so far as one can see it, is not so much war as mutual suspicions and trivial misunderstandings which will prevent the co-operation between the two countries which the state of the world so urgently requires.

Of course the first difficulty is the ancient stumbling block—Ireland. There are according to the Census of 1910 (1920 figures not yet available)* 1,352,155 Irish-born in the United States and 3,152,205 descendants in the first generation of one or two parents born in Ireland. The Irish problem was not made in America. But unfortunately it has been and is financed and enormously encouraged on this side of the Atlantic. Mr. de Valera, the "President of the Irish Republic," receives the freedom of cities like New York (January 17, 1920) and New Orleans (April 16, 1920). He reviews a great parade in Boston (September 13, 1920), and speaks all over the Eastern half of the United States for "Irish freedom." Three Colleges honour him with the degree of LL.D. He launches a "drive" (January 17, 1920) to sell ten million dollars' worth of "bonds of the Irish Republic," bonds which, he warns each subscriber to remember, can be redeemed only on the recognition of the Irish Republic as an independent nation and until that time remain non-negotiable and non-interest-bearing. He addresses the State legislature in the State of Maryland (April 1, 1920). Resolutions of sympathy for Irish independence are introduced in Congress and in most of the state legislatures. The United States Senate on June 6, 1919, passes a resolution of sympathy for Ireland by thirty-eight votes to thirty-six. An angry mob tears down the Union Jack as it flies peaceably over the Union League Club in New York. Huge mass meetings are held all over the United States to mourn the death of McSwiney. The Secretary of Labour in Mr. Wilson's Cabinet deliberately refuses to enforce the passport law

* Since this article was written the figure of the 1920 Census for Irish-born has appeared. It is 1,035,680. The 1920 figure for the descendants of Irish in the first generation is not yet available.

The United States and the Old World

with respect to O'Callaghan, the present Lord Mayor of Cork, who was feted instead of deported, the only colour of justification for this leniency being the absurd pretext that the Lord Mayor was a seaman within the meaning of the Statute. A self-constituted Committee of 100 "prominent" American men and women examine and report on the Irish question without hearing the British Government's side of the case, and an astonishingly large number of people take their report seriously.

Many unhyphenated Americans who have no sincere sympathy with Ireland are too pusillanimous or too enamoured of the Irish vote to take a firm stand. Much political capital was made over Britain's "five votes to our one in the League of Nations," and some audiences undoubtedly accepted this as a very strong argument against the League.

Most campaign oratory is born to perish, and it is rash to interfere with its manifest destiny. But some of the Irreconcilable arguments against the League were incidentally attacks upon our late allies. This, for example, from Mr. Borah: "If we stay with our contract," said he in the Senate on November 19, 1919, in discussing America's entry into the League, "we will come in time to declare with our associates that force—force, the creed of the Prussian military oligarchy—is after all the true foundation upon which must rest all stable governments. Korea, despoiled and bleeding at every pore; India, sweltering in ignorance and burdened with inhuman taxes after more than a hundred years of dominant rule; Egypt, trapped and robbed of her birthright; Ireland, with seven hundred years of sacrifice for independence—this is the creed in and under which we are to keep alive our belief in the moral purpose and self-governing capacity of the people." This, it should be remembered, is not rant from the hustings, but the carefully prepared utterance of a strong party leader in one of the most responsible legislative bodies of the world, later printed and (at the expense of the taxpayer

The United States and the Old World

under the franking system) sent about over the nation so that whoso voted might read. Probably it succeeded in getting votes. It appealed to the Irish-American. It appealed to that sentimentality which is perhaps the weakest spot in American democracy.

There is every reason why English people should be angered at the persistence and apparent strength of this unfriendly propaganda in a friendly country. It cannot be excused ; it cannot even be explained in any manner calculated to gratify American pride. If a similar agitation existed in England in favour of Philippine independence, feeling in this country would undoubtedly run high.

Nevertheless Englishmen must not be deceived. The best elements in our political life have repudiated the Irish issue as an utterly alien one. The Republicans refused to put an Irish "plank" in their platform at Chicago. The Democrats did likewise at San Francisco. Neither of the candidates for the Presidency countenanced the use of the Irish question in an American campaign, though it must be admitted that it was used widely by their supporters among Irish-American voters.

In the end, all this pro-Irish fervour will not prevail against the solid bases of Anglo-American friendship. It will react upon itself without any more elaborate British propaganda than the very simple truth that the Parliament at Westminster must settle the question uncoerced and that the law of self-preservation for Great Britain demands that the British Isles must be under one rule. The best sense of America realises this and is sick of Irish "martyrs" and the widows and sisters and cousins of Irish martyrs going up and down the United States talking of English tyranny and Irish rights. With the exception of the Hearst papers, whose influence has declined markedly since the war, the great majority of the country's press is against the introduction of the Irish question into the domestic politics of America.

When Mr. de Valera received the freedom of New York

The United States and the Old World

his escort of motors was led by Lt.-Col. A. E. Alexander, who was second in command of the 165th Regiment, 42nd Division, in France. This gentleman afterwards was prominent among the speakers at the notorious meeting in Madison Square Garden (February 28, 1921) to protest at the "Horror on the Rhine." He was thereupon expelled from the American Legion (the National Association of ex-Service Men). A few days later, at the greatest peace-time patriotic mass meeting ever held in this country, "the Rhine horror" meeting was denounced by a crowd of fifty thousand people, as it had been in the press and by public opinion all over the country. Similar patriotic mass meetings are now being held in other cities. Irish propaganda in this country is tending to become anti-American as well as anti-British. In this guise it is least to be feared.

Nevertheless friends of England in America must always long unspeakably for a firm British policy leading to peace in Ireland, putting an end alike to murders and reprisals in that unhappy country. Americans find it difficult to believe that problems which were solved in Canada and South Africa are insoluble in Ireland, and they await eagerly and anxiously this new proof of the power and justice of British statecraft.

On another point governmental policy and, probably to a less extent, popular feeling in Great Britain and America differ sharply. This is the question of Russia. Mr. Wilson's last Secretary of State, Mr. Bainbridge Colby, in one of the ablest and most applauded State papers of the Wilson Administration (August 10, 1920), pointed out that the Soviet Government was based on the "negation of every principle of honour and good faith and every usage or convention underlying the whole structure of international law, the negation, in short, of every principle upon which it is possible to base harmonious or trustful relations," and that the Government of the United States was "unable to see how the recognition of such a Govern-

The United States and the Old World

ment could promote, much less accomplish, the object of a peaceful solution of existing difficulties" in Russia.

Rightly or wrongly, this remains the policy of the United States under the Republican Administration. Mr. Hughes's note to the Soviet Government dated March 26, 1921, makes it clear that the Republican Administration will not for the present approve any policy of trade with Russia. "If fundamental changes are contemplated, involving due regard for the protection of persons and property and the establishment of conditions essential to the maintenance of commerce, this Government will be glad to have convincing evidence of the consummation of such changes, and until this evidence is supplied this Government is unable to perceive that there is any proper basis for considering trade relations."

Mr. Lloyd George's Trade Treaty with the Soviets came as a shock. To many it seemed a sacrifice of moral principle to commercial convenience justifying ancient reproaches. "A nation of shopkeepers" was doing "business as usual." Americans have long since seen the folly of intervention in Russia, but the Administration and the majority of the American people are revolted at the Soviet's programme of Communism made universal by civil war, and are unwilling to see the policy receive the encouragement of even half recognition. The fact generally conceded that the actual amount of commerce to be carried on with Russia is insignificant makes the agreement the less pardonable in their eyes. Mr. Lloyd George tells us the extravagant Communism of a year ago is passing away. If America were ready to believe this Mr. Hughes's note would not have been written and another point of divergence would have been removed.

The Japanese question is undeniably a delicate one for Americans. As a Government and a people we have every desire for peace and concord with our friends of the Island Empire. Those irresponsible voices which are forever chattering of war do great injury to both nations by

The United States and the Old World

suggesting the contrary. There is nothing to be gained and everything to be lost by such suggestions. At the same time it would be idle to deny the strong racial feeling that exists on the North American continent and in the islands of the Pacific now under white rule. Sentiment in all of these regions is unalterably opposed to Japanese immigration. A tide of immigration into these countries from Japan would create endless difficulties for them without affording Japan any adequate solution to her problem of surplus population. There is probably not the slightest divergence of feeling on this point between the average Australian and the average Californian. Nor have we any reason to anticipate that time will either alter or allay the aversion of either country toward Asiatic immigration. The unprecedentedly heavy naval programme of Japan, coupled with her large purchases of other war materials, cannot fail to sow suspicion and arouse new fears, which will express themselves in the form of super-Dreadnoughts.

Any Anglo-Japanese alliance which could be interpreted even by the most alarmist constructionist as an alliance against the United States would be bitterly resented here, and would almost inevitably lead to a ruinous competition in naval and aerial armament. Britain's gains from such an alliance could certainly not balance her losses.

Another consideration which disturbs the tranquillity of the Pacific and vexes America's relations with her former allies is the proper disposition of the Island of Yap, formerly a territory of the Imperial German Government. Yap is situated in about ten degrees North Latitude, some eight hundred miles east of the Philippines. It is not mentioned in the most recent edition of the *Encyclopædia Britannica*. On a fairly large scaled map of Oceanica it is about as big as the head of a pin. It seems, nevertheless, that whoever named the island must have christened it with a guilty and provocative intent. On the shores of Yap converge the cables to Shanghai, Honolulu and Celebes

The United States and the Old World

(Dutch East Indies). Control of the island involves, for the present at any rate, strategic and to a great extent commercial control of the Pacific. It matters little whether the island is held by one of the Powers in fee simple or as a mandatory under the League of Nations. Under either circumstance it gives to such a Power an advantage to which, on principles of international equity, no single Power should become entitled simply by virtue of the liquidation of the German estate. The American position, firmly asserted by President Wilson as long ago as April 21, April 30, and May 1, 1919, and never since relaxed, is that the island should be internationalised and put as far as possible beyond the selfish ambition of any Power.

This is similar to the American contention with regard to Mesopotamia and other territories now governed by the great Powers as fiduciaries under mandates. The argument is put with great cogency by Mr. Hughes in his identic note of April 5, 1921, to Britain, France, Italy and Japan—a document which strongly recalls the style of the ex-Justice's judgments in the United States Supreme Court. The right to allocate German colonies is a result of the victory of the Allies over Germany, Mr. Hughes reasons. The United States participated in that victory; *ergo*, the United States has a right to be heard on all questions of allocation. The United States cannot, of course, recognise the authority of any treaty agreement or understanding to which she is not a party.

It seems difficult to deny the justice of the American contention, and it is undoubtedly approved by the bulk of Americans—probably as heartily as they disapprove the disposition made by the Treaty of Versailles of Shantung. America's attitude on these questions is dictated by a sense of justice and not by mere selfishness. There will, no doubt, be a feeling in some quarters, however, that the United States is quick to assert her rights as one of the victors in the world war and slow to assume her liabilities. No such feeling is as yet justified. The United States,

The United States and the Old World

though it has not yet ratified the Treaty of Versailles, has not repudiated it or rejected any rights acquired thereunder. On the contrary, since Mr. Harding's message, the probability seems to be that she will ultimately become a party to many of its provisions. Nevertheless it is perhaps worth while to observe, as do Senator Borah and others, that the position taken by Mr. Hughes regarding Yap is more tenable than that of Mr. Colby regarding Mesopotamia, in that America is willing to assume her share of the administrative burden of the former, while she has not assented, and probably never will assent, to the assumption of any burden with regard to the latter.

Two domestic questions in the United States must be considered in the light of their probable influence on foreign affairs ; the first is the naval programme, the second is the Panama tolls.

Voices of idealists on both sides of the Atlantic have expressed their horror at the American programme of naval construction, which calls for twelve battleships and six battle cruisers in addition to auxiliary construction. There is no defending this programme except by admitting that the idealism which inspired us before Versailles has failed, and that the great nations dare not disarm. For this America must bear her fair share, but only her fair share, of the blame. The new Administration is pledged by its platform and the public utterances of its leaders to do something toward the reduction of world armaments. It is obvious, however, that nothing can be done without the concord and co-operation of the other Powers. It is devoutly to be hoped that their attitude will make it possible for the new Administration to give realisation to the justifiable hopes which these pledges may have aroused. In a world whose needs are peace and financial retrenchment it seems scarcely too much to say that some measure of disarmament seems indispensable to the preservation of civilised life on the planet.

The new Administration is pledged to the repeal of the

The United States and the Old World

legislation which provides that American coastwise shipping shall pay Panama Canal tolls on the same basis as foreign ships. Many Americans, of whom the writer is one, regard this as unfortunate. While they do not concede that the Hay-Pauncefote Treaty deprived America of the right to exempt its own ships engaged in coastwise trade, they nevertheless feel that the exercise of such a right creates ill-feeling abroad to such an extent that it is inexpedient. It will be remembered that one of Congress's first acts in Mr. Wilson's first Administration was the repeal of the Act of Exemption passed in the last days of Mr. Taft's Administration. This had a salutary effect on the feeling in England toward America. The passage of the Act contemplated is almost certain to have the reverse.

So much for the points of minor friction which vex Anglo-American relations and stand in the way of our co-operation for the right ordering of the world and the salvation of our civilisation, which still stands in peril scarcely less dire than in the darkest days of 1917. There is not one of these obstacles that may not be overcome at a breath if ever the time comes when, out of the wilderness of suffering and passion that is Europe, there shall sound a challenge to the American conscience as clear and unmistakable as that which came in April, 1917.

In the meantime are we callous to it all? Are we forgetful of all but self and our own national interests and profits? What have we to say to such heart-rending appeals as Mr. Lowes Dickinson's in the February number of the *Atlantic Monthly*? Will we insist on the last penny of our debt from our former allies while our former enemies are left to starve and Eastern Europe writhes in chaos and confusion to which no statesman can see the end?

We know the answers we should like to give to these questions. But have we the right to give them? At least only in part. In a measure we are callous. To a certain degree we are still in that phase of reaction from our unwonted task in Europe which makes us desire to forget

The United States and the Old World

the war and all its consequences. American public opinion is not yet ready to accept Mr. Maynard Keynes's proposal for waiving the debt from the Allies. No responsible American leader has yet proposed it. He would be a courageous man who did so to-day. As for our late enemies, there is general recognition of the folly of trying to squeeze from them an indemnity that will cost a war to collect, but what sum is reasonable or what method of payment is equitable, we do not know. There is no formed public opinion. We do not approve a policy based on revenge. If for example Germany and German-Austria wish to unite, American public opinion would not object except under possible pressure from France and probably not even then. But we certainly do not wish to encourage Germany in any attempt to escape obligation under the Treaty which it lies well within her power to fulfil. It is the practically universal feeling in America that Germany caused the war, and should, to the extent of her ability, pay the bill. This feeling is based on reason and strengthened by the warm affection and sincere sympathy which America feels for France.

For the relief of starvation and destitution in Europe, the prevention of epidemics, and the treatment of disease, America fortunately has private agencies. This is not the place to tell the story of their work. It is certainly the brightest page in the chapter of America's present attitude toward Europe. The American Relief Administration and the American Red Cross should be sufficient to refute the charge that the people of America are cynically indifferent to all that is happening in Europe. That America may perform even nobler tasks for Europe and for humanity is the desire of her sons. It is perhaps the indispensable requisite of Europe's survival and our own. Americans ask that Europe be not too censorious or too impatient if America does not see precisely as Europe may see it for her, the vision of America's duty to mankind.

United States of America. April 18, 1921.

PROBLEMS OF EUROPE

I. REPARATIONS AND RESTORATION

The Economic and the Moral Standpoints

EUROPE after the Armistice presented to an indifferent and, in the main, uncomprehending world the spectacle of an economic system which had reverted to chaos. Here and there over the Continent war still smouldered ; millions of men were under arms, instead of in the productive occupations of their normal life. Large areas were derelict, untilled and often untillable, dotted over with the ruins of factories and of mines. Even where fertile land had not turned to desert, cultivation was hampered for lack of labour and of implements, and the want of new plant or raw materials often kept the manufacturer idle. Everywhere the old frontiers were being re-drawn ; in the name of nationalism territories forming an economic unit were arbitrarily divided by a kind of judgment of Solomon, and customs barriers set up with as little thought as a child might give to the wall which he builds round his house of bricks. Communications, whether by rail or river or canal, were disorganised and irregular, and the time likely to be taken by goods in transit between any two points was a matter of guesswork. Import and export permits, and the whole system of Government regulation of trade which they connote, were for long almost universal, and even now have not entirely disappeared. Any one of these conditions is a formidable obstacle to the revival of

Problems of Europe

international trade, and they are powerfully reinforced by the suspicion—indeed, hostility—between nations which was engendered by the war, and poisoned even the ordinary relations of commerce. If this picture of the Europe of two years ago exaggerates some of the characteristics of Europe to-day, it is because the nations have taken the first steps along the road towards peace, political stability and racial tolerance, and have freed the channels of trade from much of the wreckage of war-time prohibitions which encumbered them. But the advance has been slow, and is far from complete: how precarious is our hold on economic necessities, how half-hearted the work of European reconstruction, is revealed in the handling by the Governments of Europe of the problem of reparations.

It would be difficult to overstate the consequences of the breakdown of the European economic system. They are being felt to-day in every corner of the globe. There is a fatal connection, direct or indirect, between the standard of living of the Westphalian miner or the return got by the Polish peasant from his land or the product of the Roumanian oilfields, and the demand for American cotton, for the wool of Australasia, for Indian jute or South African maize and diamonds. It has been customary to lament the dependence of Europe—above all, of Great Britain—on food and raw materials brought from the ends of the earth; it was, perhaps, little realised that the dependence was mutual and that the day might come when the food and raw materials could not be sold because Europe could not pay for them. There is no part of the world to-day which is not suffering through the impoverishment of Europe; and those countries with vast natural resources still only fractionally developed—the Dominions, India, the South American Republics—have an interest hardly less than that of Europe itself in working for our economic revival. And for the revival not of this part or that only, but of the whole. For the same reasoning which points to the universal consequences of a European collapse holds

Reparations and Restoration

good of Russia or Germany or Austria or any other part of Europe ; the results differ only in degree. If the population of Germany could be annihilated and her territory left desolate, the world would be literally and immensely the poorer. The wealth which Germany or any other country is capable of producing is distributed over the globe ; and such is the interdependence of the populations of the world under the present economic structure of society, that in the long run the prosperity of any one nation must tend to increase the prosperity of all nations in the aggregate. We are dealing here with no mere economic theory. Behind the cold terminology of economic systems lie the realities of human existence. For the vast industrial populations of Europe—and for none, perhaps, is this so true as for the people of Great Britain—a revival of international trade is the only alternative to slow starvation. We live by our exports ; and after the exhaustion of war, after four years spent in the destruction of wealth, nothing but peace and the most intense application everywhere to the productive tasks of peace can keep us alive.

Whatever may be the currency to-day of the truths on which emphasis has here been laid, it is clear that they have not been the dominant influence shaping the policy of the Governments of Europe since the Armistice. Many factors have contributed to that policy ; none are of greater interest than the claims made by the nations victorious in the war on those that were vanquished, and above all on Germany. The reparation provisions of the Treaty of Versailles rest on the moral responsibility of Germany, as the aggressor with her allies in the war, to make reparation up to the limit of her diminished resources for the loss and damage caused by the war to the Allied Governments and their nationals. Insistence on these provisions has not been regarded merely as insistence on the satisfaction of a pecuniary claim, but as an act of justice on which a new world order could be built up. It was intended by this example to bring it home not only to Germany, but to

Problems of Europe

all the world, that it is an offence to make war on the world, and an offence which a guilty nation can be called on to expiate painfully and through every one of its citizens. How, above all, it was argued, could justice be vindicated if France, the victim, were left broken by the war, while Germany, the aggressor, got off scathless? The argument in one form or another runs through every discussion of the settlement with Germany, and it is obvious that it appealed, and probably still appeals, powerfully to a large body of opinion in all Allied countries. It has been stated here in the extreme form in which it is perhaps most often heard and can be least easily defended. For, reparations apart, Germany has not got off scathless, unless the loss of her good name, of important provinces on each frontier, of a large part of her mineral supplies, of her colonies and merchant shipping are to be left out of account. Nor is it possible to ignore the restoration to France of Alsace and Lorraine, transformed out of recognition since 1871 in material wealth and prosperity, or the temporary, and perhaps permanent, transfer of the Sarre Valley. But the argument, though weakened, is not destroyed by these admissions. The position of France is unique in that the war was fought out on her soil. It was on her industries, on her towns and villages that the destructive horrors of modern warfare fell. The restoration of her vast devastated area is an immense burden imposed on a country almost submerged by four years of war; and it is a burden which as regards her own territory Germany escaped. It seems unjust and unreasonable that while France is overwhelmed by a task beyond her strength Germany should be free to renew her economic life and to apply all the resources of her population and of her industrial technique to the one object of restoring her own material prosperity.

This statement of the case for reparations reduces the matter to its simplest form: it ignores the claims of the Allies of France and those claims, in respect of pensions and separation allowances, of which *THE ROUND TABLE*,

Reparations and Restoration

before the Treaty was signed, questioned the validity under the terms of the Armistice. But it is obvious that the theory of reparations, however it is stated, belongs to an order of ideas radically different from those suggested in the earlier part of this article. It regards Europe not as an economic whole, in which the prosperity of any one part is intimately related to the prosperity of the rest, but as a territory divided, as it was divided during the war, into two camps, those of the victor and the vanquished, the creditor and the debtor. Can these two conceptions of Europe be reconciled? Are there any means by which the Allies can obtain payment from Germany of an amount not disproportionate to their needs, without suffering indirect losses which would neutralise the benefit accruing to them? If such payments, showing an appreciable net gain, are feasible, what conditions do they presuppose? How far can an unwilling Germany be compelled to make reparation: is there a limit to the virtues of force? These are the practical problems of reparation and the one transcendent problem of Europe at the present time. Before we examine them further it is necessary to turn aside and to glance at the reparation policy of the Supreme Council as it has developed since Versailles and more particularly since the Paris Conference described in the last number of *THE ROUND TABLE*.

The First London Conference

At Paris in January the Allies agreed to demand from Germany annual payments for 42 years to a total amount of £11,300,000,000 sterling, and in addition the proceeds during the same period of a 12 per cent. tax on all German exports. The annuities were to be payable as follows: two of £100,000,000 each, three of £150,000,000, three of £200,000,000, three of £250,000,000, and thirty-one of £300,000,000. In the event of payment in advance the

Problems of Europe

rate of discount allowed would be 8 per cent. on the first two annuities, 6 per cent. on the next two, and 5 per cent. on the remainder. The present capitalised value of the annual payments is about £4,000,000,000, and that of the export tax, if the annual value of German exports is assumed to be the same during the next 42 years as before the war, would be a further £1,000,000,000. The German Government was invited to send representatives to a conference in London in order to discuss these proposals or to make some equivalent offer.

Dr. Simons, the German Foreign Minister, came to London early in March and appeared before the Supreme Council. He declined to accept the Paris decisions ; the annuities extended over far too long a period, and they could only be paid if there was an expansion of German trade such as could hardly be attained at all, and if it were attained would be dangerous to the rest of the world. He proposed as an alternative that the £11,300,000,000 should be discounted at 8 per cent. and so reduced to £2,500,000,000 and then again to £1,500,000,000 by the deduction of the £1,000,000,000 which Germany claimed to have paid already. In order to provide cash immediately, Germany was to issue an international loan for £400,000,000 to be free of income tax in all Allied countries, and would pay the interest and sinking fund on this loan and on the balance of £1,100,000,000. During the first five years Germany's capacity for payment would be limited, and in 1926 the manner of liquidating the balance of the debt would have to be determined. Moreover, the scheme was contingent on Upper Silesia remaining German and on the removal of all impediments to trade ; it would involve the acceptance of payments in labour and in kind—for example, German assistance in the actual reconstruction of the devastated areas—and it discounted the prospective revival of German prosperity at which the 12 per cent. export tax had been aimed.

The German offer was at once dismissed as unworthy of

Reparations and Restoration

consideration and was more formally rejected two days later, when Mr. Lloyd George, as President of the Conference, expounded the whole case for reparations, which was based on German responsibility for and conduct of the war, and announced that unless within four days the German delegates accepted the Paris proposals or made an equivalent offer the Allies would proceed to enforce the claim. They would occupy Duisburg, Ruhrtort and Düsseldorf on the right bank of the Rhine, would seize the customs duties collected on the external frontiers of occupied Germany and set up a line of customs houses between occupied and unoccupied Germany, and would divert for reparations part of the purchase-money of German goods imported by the Allies. This meeting was followed by four days spent by Dr. Simons and his colleagues in telegraphing to Berlin and in attempts, unfortunately abortive, to come to terms by private discussion with the Allies. When the conference reassembled, fresh German proposals were put before it. Briefly, they were an offer, subject again to the retention of Upper Silesia and the abolition of all restrictions on German commerce with the world, to pay the Paris annuities for the first five years and in addition a full equivalent for the 12 per cent. export tax ; and to draw up as soon as possible a comprehensive plan of reparation for the period of thirty years from 1926. If the Allies insisted on an immediate fixed total offer, Dr. Simons asked for a delay of a week to enable him to return to Berlin and consult his Government. He declared, in answer to Mr. Lloyd George's indictment, that neither the Treaty nor the sanctions but history alone could decide who was responsible for the war ; he protested against the sanctions with which Germany was threatened as a breach of the Treaty, and he foreshadowed an appeal to the League of Nations. This second offer was rejected on the same day, and before the German delegation left London Allied troops were on the march and the application of the sanctions had begun.

Problems of Europe

This early and unexpected collapse of the Conference was a heavy blow to all those who have any regard for the peace of Europe or the world's economic needs. It seemed to them an admission of the bankruptcy of European statesmanship. None of the powers represented at the Conference could disclaim some share of responsibility for its failure. The German contribution to the result was palpable. It is no reflection on the personal honesty of Dr. Simons or on the sincerity of his desire for a settlement to say that the two proposals which it was his lot to put forward gave, when taken together, the impression of being fundamentally dishonest. The first offer rested on the assumption that £1,500,000,000 was the maximum present value of what Germany could pay; but instead of frankly declaring that assumption and advancing arguments to justify it, the German Government elected to deduce their maximum, by the clumsy device of an exorbitant rate of discount, from the Paris figure. No disguise could obscure the disparity between the two schemes. The second German offer, on the other hand, had much to recommend it; but, as those who leaned towards accepting it soon found, it could not be defended without denying the sincerity of the first, and if the first was insincere, what reason was there for believing in the second? This was the dilemma with which Dr. Simons armed M. Briand, and it was a weapon powerful enough in itself to break up the Conference. It scarcely needed the support of the defiant German attitude on the origins of the war—an outburst which it would be charitable to dismiss as the foolish, if intelligible, retort of one angry politician to another. If the Germans were maladroit, the French were inflexible. M. Briand came to London with a mandate: he was dependent on the precarious suffrage of a Parliament and a press which at once distrust and fear Germany, have no faith in personal discussions, and often seem frankly to disbelieve in every weapon except armed force. He was able to resist all suggestions of compromise with the

Reparations and Restoration

argument that to accept them would lead to the fall of his Government and the triumph of the extremists in France. Mr. Lloyd George appeared, then, to be left with the choice between agreement or a breach with France ; and his own political commitments reinforced an honourable reluctance to break with an ally. But it is, perhaps, pardonable to doubt whether the moral authority of British opinion and the value of British friendship to France had at that time sunk so low as to make either the methods or the decisions of the Conference inevitable. Mr. Lloyd George's sweeping indictment of Germany at the second meeting was not unadorned by the arts of the special pleader ; it did less than justice either to the political difficulties of the German Government or to the more recent efforts of the Germans to tax themselves. Nor is it easy to defend British acquiescence in the uncompromising rejection of Dr. Simons' final request for a week's delay, or indeed in the general attitude of haste which brought forward an ultimatum at the second meeting, turning the Allies' first word into their last and a conference into an execution.

The Sanctions and their Working

The first London Conference marks a decisive stage in the story of reparations, because it left the Allies committed to a line of policy—that represented by the sanctions—on which it would be difficult for them in future to go back : how difficult was perhaps at the time little realised. The sanctions deserve consideration from two points of view : from the moral standpoint of their validity under the Treaty and from that of their practical value. We make no apology for putting the moral aspect of the sanctions first. It was over a Treaty that the Empire went to war seven years ago, and from the beginning nothing contributed more to range the civilised world against Germany than the careless phrase about a scrap

Problems of Europe

of paper. A Treaty is not less binding on the signatories to it because it contains 440 separate Articles ; and the Allies, whose victory was above all a moral victory, have everything to lose in the eyes of the world and the judgment of history if they overstep their rights under the instrument which they dictated.

The reparation provisions of the Treaty of Versailles required a certain total payment by Germany on or before May 1, 1921, and payments for thirty years from that date on a scale to be fixed before May 1 by the Reparation Commission. The protocol to the Treaty encouraged Germany to submit proposals at an earlier date " in order to expedite the work connected with reparation, and thus to shorten the investigation and to accelerate the decisions." In the event of default by Germany, the Treaty prescribes the procedure to be followed, and indicates in general terms the measures which the Allies are entitled to take and Germany agrees not to regard as acts of war ; there is no explicit reference to any further occupation of German territory, and an article in another part of the Treaty is hardly consistent with an extension of the area of occupation as a penalty for default on reparation payments. On an impartial examination of these provisions of the Treaty it would be difficult to maintain that Germany could in any circumstances be said to be in default on reparation payments before May 1, 1921, and at least doubtful whether even after that date the occupation of any further part of Germany could be justified under the Treaty. Many would be found to question this view ; but the strongest argument in its favour is the official defence of the sanctions. It would be more accurate to speak of the three lines of the Allied defence. The first was that the sanctions, which first appeared as an ultimatum to compel the acceptance of a particular reparation proposal, were enforced not on account of reparations at all, but of Germany's failure to carry out the clauses of the Treaty relating to disarmament and the trial of war criminals.

Reparations and Restoration

The Attorney-General in the House of Commons threw that defence to the winds. He admitted that no specific provisions of the Treaty covered the measures taken by the Allies ; but none the less he held that they were taken under the Treaty. For "the Allies were entitled to say that there was not only not a performance of the Treaty, but a manifest exhibition of an intention to ignore, to fail, to flout and defy." Here, surely, is a plea which leads into perilous waters. The Treaty itself provides a remedy for failure and defiance, and when that failure becomes real and not merely probable (for which "the manifest exhibition of an intention" is only an eloquent periphrasis) the remedy can be applied. Last of all there is M. Briand's defence—"We have a door wide open on to the common law," the law of debtor and creditor, "which holds of nations as of individuals." Here the Treaty is frankly discarded, and objection founded or purporting to be founded on its provisions is brushed aside on the faith of a conception behind and overriding it. Once admit that such an argument is legitimate and the reign of law must yield to caprice or passion.

If we turn to the practical value of the sanctions, everything depends on the extent of our expectations. In their anxiety to justify these measures the Government made extravagant claims for them. If they were criticised as penalties, they were defended as methods of extracting payments, and every argument pointing to their futility for that purpose was countered by the assertion of their efficacy as penalties. It is already clear that the joint effect of the sanctions has been to discourage trade, if not to put an end to it, and as the trade most seriously affected is German trade, these measures might in the long run compel Germany to choose between strangulation and submission ; but it is probable that before that point was reached they would have had a most dangerous reaction on the trade position of the Allies, and particularly of Great Britain. Obviously Allied control of the Rhine

Problems of Europe

coal ports, together with the establishment of an artificial customs frontier through the middle of the principal industrial area of Germany, must in the end throw German industry out of gear. It should be equally obvious that as customs revenue depends on the volume of trade, the value of the customs receipts at the new frontier will fall as the sanctions take effect as penalties. It is impossible to kill German trade and at the same time to batten on it.

The third sanction—the diversion for reparations of part of the purchase-money of German goods imported by the Allies—will repay close examination. It is understood that the British Government can claim the dubious honour of having fathered this proposal. The practical form which has been given to it by legislation in this country is, if we ignore minor transitional exemptions, that the importer of German goods is compelled to pay 50 per cent. of their value to the customs authorities on importation. Goods imported from destinations other than Germany are classed as German goods if less than 25 per cent. of their value is attributable to manufacture or production in countries outside Germany. The importer obtains from the customs authorities a receipt which he is free to send to the German seller, who can then present it to his Government for payment of the amount in paper marks. The effect of the Act must turn on the attitude of the German Government. Up to the present they have ignored it. German manufacturers and merchants have therefore given notice that they will require payment in full before shipment. The Act then simply imposes a 50 per cent. duty on imports from Germany, and if the duty is paid at all it is paid by the British consumer. Whether it will be paid must depend on the nature of the imports. If the German goods cannot be obtained elsewhere either at all or of the same quality, or if their price is so low that a 50 per cent. import tax is not prohibitive (the price of German goods which contain little or no imported raw material stands at present to the British

Reparations and Restoration

selling price of similar goods in the ratio roughly of two to five, so that a 50 per cent. tax will still leave a wide margin) trade will continue so long as the importer is prepared to face the risk of paying in advance and the delays and inconveniences of official regulation. But the returns of customs receipts during April, which show payments at the rate of £52,000 a year, suggest that these conditions are not likely to be present, and that the Act has put an end for the time being to serious business with Germany. If the German Government agreed to co-operate in working it, some difficulties would be removed. But even then the scheme would be open to grave objections. The German Government could hardly pay 50 per cent. of the value of normal German exports to Allied countries without further inflation of their currency, to which the interests of the Allies as well as of Germany herself are opposed. Moreover no real revival of trade could be expected under a system which involves not only a return to certificates of origin, black lists and the whole ponderous machinery of Government interference, but a rearrangement of the delicate mechanism which has been gradually evolved and perfected over generations for financing international trade. "Commerce," the Prime Minister has said, "adapts itself very readily in my experience to this kind of restrictions." Commerce did adapt itself during the war to a great deal which it disliked ; and it did so because it saw that the national interest required that certain forms of trade should be not encouraged but stopped. The need for that has passed ; and it would be difficult to find any responsible man of business in this country who would be prepared to defend the 50 per cent. tax or who has not in his own mind already condemned it as fantastic. Outside England the proposal appears to have even fewer friends : France and Belgium alone among the Allies have passed similar legislation, and they have not enforced it.

Problems of Europe

The Rising of the Storm

After the London Conference the drama moved forward swiftly to its crisis. From one false position the actors were carried on to another still falser, until in the end they awoke to the knowledge that the time for a settlement of the reparation problem on its merits was past. Distracted by the coal strike and immersed in the ever-deepening gloom of industrial depression at home, public opinion in Great Britain played a minor and a passive part in the drama in which France and Germany were the protagonists. How far in other conditions it could have exerted a moderating influence in time is difficult to tell.

For some weeks after their delegates had left London the Germans made no move. They did not resist the sanctions, but they did nothing to facilitate them. Dr. Simons assured the Reichstag of his belief in the eventual resumption of negotiations ; he was attacked by the parties of the Right for having exceeded his powers in making his second offer in London, but he commanded the support of a majority and remained in office. This attitude on the part of Germany, and her own increasing financial burdens, drove France rapidly towards *intransigence*. Her financial position became daily more sombre : restoration of the devastated areas called for large sums, which were not to be had unless a settlement could be made with Germany, and the legacy of inadequate taxation during the war began to fall in. Gradually the conviction deepened that nothing but a heroic measure of coercion could bring Germany to her senses. By the beginning of April M. Briand, a man of moderate views, was telling the Chamber of his determination to use force without limit. Germany would find "a firm hand taking her by the collar." The creditor would enforce his common law right to sell up the debtor : not the revenue only, but the whole

Reparations and Restoration

assets of German industry were hypothecated to the needs of France. Apart from an insignificant minority of extreme Socialists, every section in the Chamber and in the press applauded this declaration. Gradually the methods of coercion took shape, and the plan for the occupation of the Ruhr area was elaborated. It was to yield a fabulous return, immediate and prospective: it was also to give to France that full sense of security which the Treaty of Versailles had failed to give. Reparation became almost a secondary issue; and France was being carried by a flood of popular passion back to her secular policy of weakening and then dismembering Germany—a policy, in the economic conditions of our age, as cruel as it would be futile.

Meanwhile May 1 approached, and the Reparation Commission drew to the end of their task of fixing the total reparation claim under the Treaty. They had already notified Germany that a balance of £600,000,000 was still due on the £1,000,000,000 payable before May 1. In London, Dr. Simons had claimed that deliveries to the whole amount due had already been made. It is obvious that in the fixing of a gold value for payments made for the most part in kind there is room for widely divergent results. A merchant fleet has one value to Germany and another when confiscated and sold to Allied shipowners under restrictive conditions and at a time when ships all over the world are being laid up. Whichever estimate is more nearly correct—and no information has been published on which an opinion could be founded—neither the Commission nor Germany would retreat, and the Treaty permits no appeal from the Commission's decision. The figure finally agreed upon by the Commission for the total German debt under the Treaty was £6,600,000,000, in addition to the £250,000,000 of Allied loans to Belgium repayable by Germany.

Before the amount of the claim was known the German Government dropped the pretence of apathy. They asked the President of the United States to arbitrate, and they

Problems of Europe

offered to accept any figure he might fix as representing their capacity to pay. Mr. Harding lost no time in declining the invitation, but he agreed to transmit any reasonable proposals to the Allies. The German Government, a Government distinguished by no outstanding personality, dependent on an unnatural coalition of political parties, and goaded out of its better judgment by industrial powers such as Herr Stinnes, was soon tossing, helpless, on a rising sea. It could not decide, once and for all, either to propitiate the Allies or to defy them ; and in the end by its vacillations and inconsistencies and apparent disingenuousness it succeeded only in exasperating them. A Bismarck would have chosen one course and kept to it, as he did after Olmütz in 1850. Dr. Simons and his colleagues, after a long and indeterminate discussion, sent another offer to America, an offer obscure and indeed almost unintelligible, and whether inherently or through bad drafting thoroughly unattractive. The scheme was condemned unread in France, and was not even thought worthy of official communication by Mr. Harding.

It was, then, in an atmosphere heavily charged that the Allies met again in London on April 30 to determine what should be their final proposals to Germany. The French had not concealed their intention to demand the immediate occupation of the Ruhr, and if necessary to march alone. Once occupied the Ruhr might never again be evacuated : in M. Poincaré's words, "A return ticket to Essen is not worth a paper mark." Occupation could have only one ending, the dismemberment and the economic ruin of Germany. It was an ending which the French were in the mood to face without qualms. Of its inevitable consequences to the rest of Europe, consequences which might strike others first, but sooner or later would recoil upon themselves, German procrastination and their own predicament had blunted their perception. Thus three years of opportunist indifference on the Allied side to economic and on the other to political realities had led to this, that

Reparations and Restoration

no solution was any longer practicable of a problem which was in its essence economic except one devised primarily to meet the needs of a false political situation. There was a danger that even a solution of that nature would prove unattainable and Europe would be plunged finally into chaos.

The Ultimatum

If Mr. Lloyd George had any doubts what the French occupation of the Ruhr would mean, it may be assumed that they were removed by the representatives of British banking and financial interests who approached him on the eve of the Conference. Here, for the first time, instead of the apathy of criticism in Parliament and the constituencies, was a clear indication of the deepening anxiety with which the business world regarded the policy of the Allies towards Germany. It strengthened the Prime Minister's hand in setting to work to save what could still be saved from the wreck. His first and imperative task was to induce the French Government to abandon their intention to occupy the Ruhr, with or without their Allies, on May 2, and to wait until an ultimatum could be drawn up and a few days' grace allowed to Germany in which to accept it. If this point could be carried, it might be possible to prepare a scheme of reparation payments that would satisfy French opinion, and might at such a crisis reasonably be accepted by Germany. The first step proved to be much the more difficult of the two. It is no secret that the Conference came near to breaking up before the French delegates agreed to give way. Once the Rubicon was crossed—and there is not much doubt which, from the point of view of immediate popularity at home, was the more hazardous course for M. Briand to take—the broad principles of the reparation demand to be embodied in the ultimatum were soon settled. The details occupied several days and much argument, but by May 5 it was possible to

Problems of Europe

communicate the final documents to Germany and the world. Germany was required by the ultimatum to declare within six days her resolve to carry out without reserve or condition her obligations as to reparation, disarmament and the trial of war-criminals. The Allies would at once take preliminary measures for the occupation, if necessary, of the Ruhr Valley, and failing a declaration by Germany as required before May 12, the occupation would proceed.

The broad outlines of the reparation plan which was forwarded with the ultimatum will no doubt be widely familiar before these lines appear in print. But the importance of the proposals may justify a brief summary.

As regards the amount of Germany's debt to the Allies, the scheme accepts the figure fixed by the Reparation Commission under the relevant provisions of the Treaty of Versailles. That figure is £6,600,000,000, if we ignore certain plus and minus adjustments still to be made, but hardly likely to affect the total by more than £100,000,000 or £200,000,000. Germany must deliver to the Commission bearer bonds for the total amount of the debt. Of these the Commission will issue in 1921 bonds to the value of £2,500,000,000, and from the date of issue Germany will have to meet an annual charge of 6 per cent., out of which interest at 5 per cent. on the bonds outstanding at any time will be paid, and the balance will go to a sinking fund for the redemption of the bonds by annual drawings at par. If there is no default this part of the debt will on these terms be wiped out in about thirty-seven years. The bonds for the remaining £4,100,000,000 will only be issued by the Commission as and when it is satisfied that Germany is in a position to meet the interest and sinking fund charges in addition to the liabilities already indicated. It follows, therefore, that the ultimate liability of Germany will depend on her proved capacity to pay. The German Government has hitherto rejected all the schemes put before them on the ground that they went beyond Ger-

Reparations and Restoration

many's capacity. That line of defence is now cut away. The only immediate liability is for the charges on £2,500,000,000, and that amount was indicated by the German Government themselves in their latest offer as the full extent of their capacity. If they prove to be right, obviously the balance of the bonds can never be issued. On the other hand, if Germany accepts the scheme, France will have the satisfaction of knowing that there has for the time being been no abatement of the maximum amount which the Allies are under the Treaty entitled to claim.

To meet the charges on the bonds Germany will have to provide certain annual payments. These will be in the first place a fixed sum of £100,000,000 ; and in addition a sum equivalent to 26 per cent. of the value of her exports in each year, or, if she prefers it, an equivalent amount based on some other approved index of her prosperity. It is the yield from this variable factor which will indicate to the Commission when, if at all, they will be justified in issuing further bonds. The method proposed for transferring to the Allies the payments based on exports appears, though some of the details are still obscure, to be this : the German exporter will pay to a reparations account under Allied control a bill of exchange drawn on his foreign purchaser for 26 per cent. of the value of the sale ; the Allies will be free to discount this bill, and the German exporter will receive from his own Government an equivalent amount in German currency. The scheme will provide a crucial test of German capacity to pay reparations ; for clearly the moment that the German Government finds itself unable to provide for these payments from taxation and is driven to resort to further inflation of the currency, reparation ceases to be practicable. The proposed levy on German exports will not, as might have been expected, necessarily lead to the repeal of the legislation, to which reference has already been made, imposing a tax up to 50 per cent. in certain Allied countries on imports from Germany. As long as that remains in force the German

Problems of Europe

Government will be expected to facilitate its operation by paying the balance of the sale price in German currency to its exporters ; but the 26 per cent. export levy will not apply to exports to countries which retain the earlier legislation ; and in Great Britain at least the import duty will be reduced from 50 to 26 per cent. Here we have one of those quite illogical compromises which always creep into the details of Allied settlements : there are others in the present scheme which may here be ignored ; but this particular arrangement deserves mention because it is difficult to see what other effect it can have than to restrict trade, owing to the complications which it introduces between Germany and the countries that retain the import duty.

The most urgent of all the tasks of reparation is the reconstruction of the devastated areas ; as long as any part of France remains in ruins, with its industries derelict and its population existing miserably in huts and caves and cellars, the war will live as a bitter and ever-present memory. There can be no doubt that Germany is in a position greatly to expedite the work of reconstruction, and on that ground it is an important advance in the proposals now made that the Allies contemplate the possibility of German assistance through the provision both of material and labour. There have been difficulties hitherto in any such arrangement, but they have been magnified by all those contracting interests in France, which were unwilling to see any part of the work placed in other hands even though it was demonstrably beyond their own power to complete in any reasonable period. Through M. Albert Thomas and the Labour Organisation of the League of the Nations, the Trade Union elements concerned in France and Germany have been brought together and it is understood that they are in substantial agreement on the details of co-operation. The Confédération Générale du Travail has already declared its conviction that without German collaboration the work will never be completed. If, as may reasonably

Reparations and Restoration

be hoped, German help is now accepted by France, the provision which has been made for arbitration as to the value of material and labour supplied is important. It was a defect in the Treaty that arbitration was expressly excluded even on such difficult and contentious points as the value to be set upon the very diverse German surrenders called for before May 1, 1921. A system under which the plaintiff is the final judge in his own cause will always create a sense of injustice in the defendant. Even the notorious Treaty of Brest Litovsk allowed for arbitration, if possible by the Swiss President, on all indemnity questions that might be in dispute.

To supervise the payments by Germany of the annual amounts due, the Allies propose to set up a Committee of Guarantees. This body will have assigned to it, as security for the payment by Germany of the charges on the bonds, the whole German customs revenue, the proceeds of the 25 per cent. export levy, and, if necessary, the proceeds of further direct or indirect taxes. It is, of course, clear that the value of these assigned funds will rise or fall with Germany's prosperity, and they can give no security for anything except this, that if Germany is in a position to pay her reparation debt, payment will not be evaded so long as the Committee has armed force behind it. If there is no revival of German prosperity, no security for reparation payments can be found that is of any value.

This, in brief outline, is the demand now made on Germany. The terms are obviously better, because they are more flexible, than any previously put forward, and it is probable that in the political conditions of to-day no improvement on these terms could have been carried through the Conference. The Prime Minister's statement announcing them to the House of Commons was well received by Lord Robert Cecil, Mr. Asquith and Mr. Clynes. Some of their advantages have already been indicated, but there is another on which Mr. Asquith rightly laid strong emphasis. That is that the proposals

Problems of Europe

mark a return to the Treaty to which Germany was a party, even if an unwilling party, and it cannot be claimed that they involve unfavourable modifications in the obligations which Germany undertook at Versailles. The world awaited Germany's reply to the ultimatum with a quiet confidence that no German Government would be prepared to face the certain consequence of rejection—the occupation of the Ruhr. This optimism has been justified by the event. After some days in which the internal political situation was all confusion, Dr. Wirth, a South German Catholic with a leaning towards the radicalism of Social Democracy, succeeded in forming a new coalition Government and in obtaining a majority of 46 in the Reichstag for unconditional acceptance. In the brief and subdued speech in which he commended that course to the Reichstag, Dr. Wirth rightly laid stress on the importance to Germany of an honest endeavour from the beginning to meet the obligations undertaken. The success of any German Government in the near future will be measured by the extent to which it acts on that advice.

The Future

At this moment, when the decisions of the Conference are being approved because they offer the only means of bringing Europe back from the edge of the precipice, it is well not to lose sight of the future. Questions naturally spring to the mind. Is it within the bounds of economic possibility that Germany should liquidate the whole £6,600,000,000 of debt now imposed on her? Is such liquidation in the interests of the world?

No one can foresee what the economic position of Germany—or of Great Britain—will be even in five years' time. It is clear, however, that Germany can transfer wealth to the Allies only by means of exports. The annual charge on the whole amount of the debt, and it is a charge

Reparations and Restoration

which cannot be wiped out for half a century, is about £400,000,000, and of this £300,000,000 will represent the export levy. The payment of this charge, therefore, presupposes exports of the value of about £1,200,000,000 a year. German exports in 1913 amounted to £500,000,000. The Peace Treaty has in many vital ways curtailed the internal resources of Germany in raw materials. It is true that her industrial plant is intact, and in the application of her workmen and the scientific organisation of her industries lie sources of vast potential wealth. But if every allowance is made for this and for the depreciated value of money, only an act of faith can see any early prospect of a transition from the £100,000,000 which Germany exported during the first five months of 1920 to the £1,200,000,000 per annum which the payment of her reparation debt requires.

Moreover, in 1913 German imports exceeded exports by £33,000,000, and the whole balance available for transfer and investment abroad was derived from the profits of German shipping, which has now been confiscated, and the interest on foreign investments, which have for the most part been realised. Only by the simultaneous curtailment of imports and expansion of exports can the reparation charges be paid. It is clear that as long as those charges are outstanding the whole population of Germany will have to accept a standard of living substantially below that of other European countries ; and the incentive to the present generation must be weakened by the knowledge that the harder they work the heavier is the load they are piling up for their children. In the long run no Committee of Guarantees but force alone can compel a great nation to make such sacrifices. Is it conceivable that for half a century or more the threat of occupying the Ruhr will be periodically invoked in order to compel a population of over sixty millions, which will every year *ex hypothesi* become more highly industrialised and productive of greater wealth, to continue to pay this tribute ? To make

Problems of Europe

the threat effective France and her Allies would require to maintain a superiority of armed force such as must prove an intolerable burden to themselves. At the end of all, the stage would have been set for a war of revenge.

Sooner or later France and the world must come to see the absurdity of such an ending. France naturally feels a profound sense of insecurity in the presence on her frontier of a population twice as large as her own and separated from her only by a secular antagonism and the common memory of unprovoked invasion. But can any attempt to remove that insecurity succeed as long as the antagonism remains ? Germany as a military power has been broken by the war, and it rests with the Allies whether German militarism dies or revives as a more monstrous growth than before. On the day on which the ultimatum was signed the world was commemorating the centenary of the death of Napoleon. If any rumour of these events could reach him, the Emperor would surely look past the immediate decisions to the need of a new world spirit. From the depths of his own bitter experience—and he saw in history “the only true philosophy”—he would have known that indemnities are a delusion and coercion a snare. After Jena his troops remained in occupation. “Prussia must pay 150 millions,” he said to his envoy Daru; “I intend to be firm.” And again, “Ce sont des gens dont on ne peut rien faire, aussi bêtes qu’ils l’ait jamais été.” The words have a familiar ring. By his exactions he drove Prussia to re-mould her economic system in order to produce more wealth at less cost; and the end of his oppression was the resurgence within a few years of the State he had thought was in the dust to heights of moral vigour and practical power which amazed the world. Is it extravagant to hope that the sequence Jena-Leipzig will at length vanish from the history of France and Germany, and that the world will discover in time a way of escape from the conclusions implicit in the policy of reparations, if that policy is literally carried out ?

The Internal Condition of Germany

II. THE INTERNAL CONDITION OF GERMANY

IT is not very easy for a foreign observer, or indeed for any observer in a time of crisis, to speak confidently upon the internal condition and prospects of a country great in natural resources and in the numbers and industry of its inhabitants. Who, for example, would pretend to be able to give a correct estimate of the present condition of the British Isles or to forecast their near future in politics, in industry and commerce, or in the solution of social problems? Observation and opinions clash, and reflection can at best hazard a few provisional conclusions.

In dealing with Germany the task is at once easier and more difficult; easier because many of the political, economic and social factors are clear and sharply defined, more difficult because there are in the problem many elements of contingency, especially in respect of influence and pressure from without. Our British problem is hard enough, but it must be remembered that Germany, if it has not now an Ireland, its Poles having been mostly and its Alsatians and Danes totally eliminated,* has other internal perplexities from which we, happily, are free.

There is first of all the general effect of a national defeat and humiliation upon a people which was prosperous, ambitious, self-confident and full of hope. Disappointment, bitterness, despondency or despair were the natural reaction which began during the war and has since been intensified by the failure to obtain deliverance or security by the Peace. Yet it must be admitted that the way in which the bulk of the industrial population and their employers have faced their difficulties and have settled down to hard and intelligent toil is worthy of admiration.

* It is now on the Allies that the responsibility of dealing with the insurgent Upper Silesian "Wasserpolen" lies, unless, indeed, they prove to be impotent. See the Prime Minister's speech in the House of Commons on May 13.

Problems of Europe

The German, especially the North German, has a long tradition of fighting against odds. All our tales of mean streets and toils obscure had their prototypes long ago in Germany. If anyone desires to understand German grit, industry and patience under discouragement he cannot do better than read the poignant, humorous and realistic short stories of Wilhelm Raabe (1831-1910).

German political life continues to be cramped by the lack of a central Government and of a Parliament really supreme and able to speak for the whole nation and to impose upon all sections of it the national will. There are some fourteen or fifteen State Parliaments and as many ministries, although, happily, there are not more than two States that give serious trouble. The one is Prussia, the other Bavaria. Saxony continues to have parliamentary difficulties and local communist broils, but its Government does not interfere with that of the Reich, or resist its ordinances.

In Prussia the Assembly which passed the new Prussian constitution dissolved itself last January, and the elections for the first republican Prussian Diet took place on February 20th. The result resembled that of the elections for the Reichstag last June in that there was a great increase in the strength of the two parties of the Right—the National Party (the old Conservatives and the People's Party—*falsely so-called*—the old National Liberals). These two parties have now together some 133 seats as compared with 59 in the late Assembly. They have thus more than doubled their strength, although they do not make any approach to a majority in a house of 428 members. The Parliamentary Coalition, which supported the late Prussian Ministry and supplied the ministers was composed of the Majority (or moderate) Socialists, the Democrats (Liberals) and the Catholic centre, and was some 290 strong. It has lost about 70 seats. The Socialists have been reduced from 142 to 114, and the Democrats from 61 to 26. The Catholic Centre, as usual, has approximately maintained its

The Internal Condition of Germany

old strength. With some 221 seats and a bare majority, the old coalition could not maintain itself in power, especially as its enemies on the extreme Left, the Independent Socialists and the Communists, the split fragments of the original Independent Socialist Party, have together returned 59 members as compared with 29 Independent Socialists—there were no Communists—in the late National Assembly.

In view of this result there was a long period of delay and intrigue before a new Prussian Ministry could be formed. The Right clamoured for a recognition of the electoral slide towards reaction. The exclusion of the Social Democrats, who had held four portfolios and the presidency in the old Cabinet, was demanded. The so-called People's Party (reactionary National Liberals) were prepared to enter the Ministry, but the Social Democrats refused to co-operate with them as not being honestly republican. The cabinet-makers, *i.e.* the majority party leaders, behind the scenes feared to instal a Ministry that might bear the colour of reaction before the London Conference of March had considered the Reparation proposals of Dr. Simons. Ultimately Herr Stegerwald, a former Catholic workman and trade union leader, was commissioned by a compromise among the party leaders to form a Cabinet. (Stegerwald, it may be noted, is a man of remarkable ability who, under the old régime, was called by the Emperor as a representative of labour to the now defunct Prussian Upper House.) He did not succeed in forming a Ministry on the old coalition lines. He finally selected two Catholics, two Democrats and four non-party Prussian officials. (He himself is not a member of the Diet.) Prussia has thus, in essence, what is termed a Ministry of professionals (*Fachminister*).

The significance of the change is, first of all, that it is doubtful whether the new Ministry, dependent as it will be upon support from the Right against the Social Democrats and the parties farther to the Left, will prosecute the task of gradually replacing the old provincial and

Problems of Europe

local officials by sound Republicans, a most urgent matter if the Republic is to take root. The Reich itself has no body of officials and no machinery of administration such as Prussia possesses. And Prussia forms two-thirds of the Reich.

Even under the late Prussian Ministry there was a good deal of friction between the administration of the Reich and that of Prussia. In educational matters, in fiscal administration, in labour questions the two Governments did not always see eye to eye. How will it be now that the Prussian Ministry is constituted on a basis fundamentally different from that of the Reich's Cabinet?

One tie, indeed, there is between them. At the head of both Ministries is a member of the Catholic Party, the Chancellor, Fehrenbach,* and the Prussian Minister-President Stegerwald—a curious situation at the moment when Germany has been celebrating the four-hundredth anniversary of Luther's appearance before the Diet of Worms (April 17-26, 1521).

The parliamentary movement towards the Right in Prussia was accentuated by the effect of a serious Communist rising in the second half of March in the Prussian Province of Saxony. The insurgents, who were instigated by the Communist adherents of the Third or Moscow International, had the centres of their organisation in the towns of Mansfeld, Eisleben and Halle. They occupied factories, blew up railway bridges and terrorised the small towns and villages, looting and plundering wherever they went. The late Socialist Minister of the Interior, Severing, taught by the unfavourable experience a year ago of the suppression of insurrection in the Ruhr region by the reactionary regular troops or *Reichswehr*, determined not to employ that force in the Province of Saxony, but to

* At the moment of writing the resignation of the Fehrenbach Ministry in consequence of the failure of its appeal to America is announced. And, at the moment of going to press, Fehrenbach is succeeded by another Catholic, Dr. Wirth.

The Internal Condition of Germany

trust to the *Schutzpolizei*, the armed (green) police who are under the authority of his department. A battery of artillery was borrowed from the *Reichswehr*, but otherwise the regulars were only employed to invest and isolate the disturbed region. The parties of the Right were anxious to have the *Reichswehr* employed, partly in order to increase the prestige of its officers, who are largely in sympathy with reaction. Severing, against all the predictions of the Right, succeeded in suppressing the insurrection with the *Schutzpolizei*, although not without considerable losses on both sides. Over 3,000 insurgents were taken prisoners and are being tried by specially instituted courts.

The distraction of episodes like this ought to be borne in mind when the central Government of Germany is being expected to devote its attention with calmness and prudence to the vital question of reparations.

There has also been great trouble with Bavaria. The Allied Powers demand the disarmament of the Bavarian *Einwohnerwehr*, a volunteer force the numbers of which are now estimated at some 300,000. The existence of this force is, no doubt, contrary to the Treaty of Versailles, but still more ominous is the wider organisation, the *Orgesch*, which has sprung from it and has spread throughout Germany. (The word "Orgesch" is a contraction of "Organisation Escherich," Escherich being the name of the Commander-in-chief of the Bavarian *Einwohnerwehr* who founded the wider organisation.)

It may be arguable that the Bavarian *Einwohnerwehr*, though it has machine-guns and some artillery, is distinctively a spontaneous organisation for self-defence against the Communist element in Munich which seized power and celebrated orgies of Bolshevism in the Spring of 1919. Its organisation is far less military than that of the Defence force which was invited to volunteer during the present coal strike in this country. The Bavarian peasant-farmers have flocked to its standards to defend their homesteads in

Problems of Europe

case the Communists should ever again attempt to raid them. But out of the *Einwohnerwehr* and the *Orgesch* has developed a movement for keeping alive the idea of universal military service throughout Germany, an idea which is deeply implanted in the national mind and which would undoubtedly have taken shape in a national militia like that of Switzerland if the terms of the Peace had permitted it. In any case the vast majority of the Bavarian people and the Bavarian Government with Herr von Kahr at its head will not hear of disarmament any more than Ulstermen were prepared to submit to it in 1914.

For the Reich the disarmament of the *Einwohnerwehr* is a vital question of national policy, as it is one of the Allies' imperative demands. For Bavaria it is question of Bavarian autonomy within the Reich, of Bavarian pride and, as is vehemently urged, of Bavarian internal safety. The Paris Note of January 29 demanded that the Reich's Government in Berlin should pass fresh legislation before March 15 for the disarmament and dissolution of illicit armed bodies and militarist organisations. The Government of the Reich tried to do its best. The Disarmament Bill was introduced without explicit notice from Berlin to the Bavarian Government, as negotiations would only have led to a deadlock. It was modified in the Reichsrat (the new Federal Council) in deference to Bavarian susceptibilities, and it was finally passed in a twelve-hours' sitting of the Reichstag on March 19—four days late by the terms of the Allies' ultimatum.

Bavaria and her Government have since been treating the Disarmament Law with open derision. In deference to Bavarian sentiment its execution was to have been in the hands of the State authorities under the supervision of the Minister of the Interior of the Reich. The Bavarian Premier, Herr von Kahr, has publicly stated that the Reich must take the whole responsibility and that Bavaria can give no assistance. The Vice-Chancellor Heinze was sent from Berlin to Munich to parley on March 24. He saw

The Internal Condition of Germany

Herr von Kahr and requested to be allowed to confer with the Bavarian Ministry. His request was refused "on constitutional grounds," although Bavarian Ministers have repeatedly been admitted to sittings of the Ministry of the Reich and Ministers of the Reich have attended sittings of the Prussian Cabinet. Vice-Chancellor Heinze returned to Berlin within twenty-four hours, his mission unfulfilled. Nay more, the Government Press of Bavaria poured scorn upon him and represented his failure in the most ignominious light. For any one who knows anything of German and Bavarian conditions it is impossible to regard all this as mere play-acting, as a "put-up job" between Berlin and Munich. The Government of the Reich cannot have Bavarian disarmament except at the same price at which we could have had Ulster disarmament in 1914.* Even so, success would be doubtful. If France herself were to send 400,000 men into Bavaria (which she certainly, for political as well as for other reasons, will not do) instead of sending them into the Ruhr region, they would spend most of their time in searching the outhouses of farms and the box-beds in the villages and the potato-pits in the fields for hidden rifles and would probably find few.

People in this country who know nothing of the local conditions suggest: "Disarm the Communists too." The Governments of the Reich, of Prussia and of Bavaria desire nothing better. But how? In Berlin and in the Ruhr region many of the Communist workmen gave up their arms for a money payment last year because they wanted to buy food and clothes. In Bavaria there is plenty of food, and so the Communists in the large towns keep their arms concealed. The Government of Prussia would willingly have paid paper millions to get the arms of the Communists in the Province of Saxony. But, as we have seen, the Communists there were able to conceal large quantities of

* At the last moment there are signs that Herr von Kahr may relent in the face of the Allied ultimatum, but his task, too, will be difficult.

Problems of Europe

arms and furtively to manufacture more, and there has just been a formidable insurrection there.

Such are a few of the internal problems of Germany. There is an endless series of others, financial, industrial, social, educational. Few people in England have any real conception of the situation. It is much more convenient to regard Germany as a State and a Government like any other which can "pay up and disarm and have done with it." This conception has hitherto proved a fiction.

UNITED KINGDOM

I. CURRENT POLITICS

Mr. Bonar Law's Retirement

MR. LLOYD GEORGE'S administration, the most abused of modern times and the least affected by abuse, has undergone far-reaching changes of *personnel* since the last number of *THE ROUND TABLE* made its appearance at the end of February. They may conceivably alter its whole character and its future course, for a Coalition, more than any other form of Ministry, depends upon personal relationships. But so far the most remarkable feature of these permutations and combinations is that they had nothing whatever to do with the critics, who were taken completely by surprise, and that they were carried out with the speed and smoothness of clockwork. The long sequence of official majorities in the House of Commons becomes an insignificant test of the continued strength of the Coalition by comparison with the political events of the fortnight which followed March 17.

On that day, to the amazement of the public, Mr. Bonar Law suddenly resigned. The verdict of a specialist, coming on the top of less emphatic warnings, had convinced him, it is said, within an hour that he must leave the Government at once or risk a complete collapse in health. He lost no time, therefore, in communicating his decision

United Kingdom
to the Prime Minister through a letter which told the whole truth in characteristically simple language.

My dear Prime Minister (it ran), I very much regret to have to inform you that I am no longer able to continue my political work.

The strain of the last few years has pressed very heavily on me, and, as indeed you know, I have for more than three years found it very difficult to do my work.

Now I am quite worn out, and my medical advisers have warned me that my physical condition is such that unless I have an immediate and long rest an early and complete breakdown is inevitable.

In these circumstances I have no choice, and I can assure you it will always be a pleasure to me to think that I have been of some help to you in the great work which after you became Prime Minister you were able to do for the country, and that it is necessity alone which compels me to abandon the hope of being of any assistance in the very difficult task which now confronts you.—Yours very sincerely,
A. BONAR LAW.

The reading of this letter by Mr. Lloyd George was the first news of what had happened even to the House of Commons, which was as deeply moved as the Prime Minister himself. The terms of it were clearly decisive and final. There was no question of reconsideration, no room for anything but the sympathy and regret which were expressed at once with obvious sincerity by the various party leaders. An hour or two had sufficed for Mr. Bonar Law's decision. In another day or two he was on his way to the South of France, where it is hoped that complete rest in the sunshine will restore his health in the course of months.

The immediate result of Mr. Bonar Law's withdrawal was to leave the Unionist Party, the strongest factor in the Coalition, without a leader in the House of Commons. At all events the gap in the House of Commons was clearly the one that needed filling most urgently. By a series of accidents, beginning with his own unexpected succession to Mr. Balfour in 1911, Mr. Bonar Law himself had gradually emerged from a sort of diarchy with Lord Lansdowne to the undisputed leadership of the whole Unionist Party. The practice, for example, by which

Current Politics

important pledges of the Unionist attitude in the early years of the war were given by the leaders in both Houses together had disappeared as Lord Lansdowne retired more and more from public life. But it did not follow that the same position, slowly acquired and never positively defined, was open to a successor. There would be other personalities to be considered, and greater risks of disagreement, if the Unionist peers were taken into account. In any case there seems to have been a very prompt consensus of opinion that the Party meeting, convened on the same afternoon, should be limited to the Commons, and an equally prompt consensus of opinion that the choice should fall upon Mr. Austen Chamberlain. Beyond a certain amount of canvassing in the newspapers, which detected signs of a wholly imaginary "crisis," no other name was even seriously considered. He alone remained of the three candidates for the leadership which had fallen, by the withdrawal of two of them, to Mr. Bonar Law in 1911. Mr. Walter Long, like his chief, had just retired for the same reason and with even more finality. No other Unionist—with the possible exception of Sir Robert Horne—had arrived in the circle of possible candidates; and Sir Robert Horne's blessing, with that of Mr. Balfour, Mr. Long, and Sir Edward Carson, was sought and given expressly for Mr. Chamberlain. So it came about that the Carlton Club—the scene just ten years earlier of an election in which the result was doubtful to the last—was thrown open once more to register a foregone conclusion with complete and enthusiastic unanimity. Mr. Chamberlain had declined a contest on the earlier occasion rather than risk the solidarity of his party. He now reaped the reward of his disinterested service in the most solid vote of confidence that any party could bestow upon a new leader.

One other point should be noted here in the succession to Mr. Bonar Law's position. It became known at once that Mr. Chamberlain would leave the Treasury forthwith, and assume the sinecure of Lord Privy Seal, in order to be

United Kingdom

free to devote himself to the work of the House of Commons. In other words he was to be Leader of the House, as Mr. Bonar Law has been, and not merely the spokesman of his wing of the Coalition. There was to be no break in the system, due to the conditions of the last few years, under which the day to day representation of the Government in the Commons was entrusted by the Prime Minister to a deputy without a Department. Nothing in Mr. Lloyd George's methods had been more severely criticised than this apparent neglect of a traditional duty, and he will probably find it wise, as the press of Conferences and Missions becomes less exacting, to return by degrees to more habitual appearance on the Treasury bench. Meanwhile it is an interesting feature of the new partnership that, in this as in other respects, it was intended to perpetuate the Coalition system as devised with Mr. Bonar Law.

Reconstruction of the Government

Mr. Chamberlain's new Leadership of the House, and of the Unionist Party in it, is of course by far the greatest change in the Government since it was constituted at the end of the war. It was followed within the next fortnight by a number of other changes, some of them dependent upon it and some of them only less important. On April 2, with almost as little warning as in the case of Mr. Bonar Law's retirement, the newspapers published a list of no fewer than twenty-one new appointments, ranging from the Chancellorship of the Exchequer, just vacated by Mr. Chamberlain, to the Treasurership of the Household, and containing one name at least which was as unexpected as it was universally approved. Lord Edmund Talbot, for many years Chief Whip of the Unionist Party and the recognised leader since his brother's death of the English Roman Catholics, had become Viceroy of Ireland in succession to Lord French. The long tradition of Protestant Viceroys was broken at the moment when the office itself was about

Current Politics

to change into the constitutional headship of a Parliamentary system. It was a signal compliment to the predominant Irish creed, round which the bitterest quarrels in Irish history had raged. It was also the choice of a singularly upright and disinterested man, who had succeeded, in an unenviable position, in winning the respect of political friends and foes alike and whose new appointment was now hailed as something of an inspiration. Ireland bulks so large in the present number of **THE ROUND TABLE** that it is unnecessary here to do more than note the beginning of the new *regime*, and the hopeful developments in the situation which have shown themselves since the arrival of Lord Fitzalan (as he will henceforth be called).

By the side of this striking announcement the other changes in the Government passed almost unnoticed. Sir Robert Horne's succession to the Chancellorship of the Exchequer surprised no one who had followed his meteoric career and realised the extent to which the Prime Minister had come to depend upon him. The only other possible candidate was Mr. Churchill; and Mr. Churchill had put himself out of court by his acceptance of the Colonial Office a few weeks earlier and by his complete absorption in the Middle East. He had the misfortune, in fact, to be presiding over a Conference of his own in Cairo during the whole period in which the Government was being reconstructed in London. But Sir Robert Horne was in any case the safer and more popular choice, and the one doubt about its wisdom was whether even the most buoyant Scottish constitution would stand the double strain involved in his change of office at this particular moment. As it turned out he was obliged in the end to leave the introduction of the Budget, which was imminent, to his predecessor, and to content himself with only two of the three great domestic problems—the miners' strike and the Anti-Dumping Bill—which were already fixed on his shoulders. One of Mr. Lloyd George's least admirable practices is his incessant over-

United Kingdom

driving of the favourite horse of the moment. It remains to be seen how long Sir Robert Horne will survive the treatment.

His successor at the Board of Trade was Mr. Stanley Baldwin, who had earned advancement by efficient work as Financial Secretary to the Treasury. Sir Alfred Mond was translated, rather curiously, from the Office of Works to the Ministry of Health, while Dr. Addison, whose precise value in the Government has always been something of a mystery, became Minister without Portfolio and as such may still find some difficulty in justifying his salary to the House of Commons. Meanwhile the Office of Works was manned by Lord Crawford, the Duchy of Lancaster by Lord Peel, the Admiralty by Lord Lee, the Post Office by Mr. Kellaway, the Air Ministry by Captain F. E. Guest. All these were promotions of the most commonplace kind, and the most interesting feature about them was that they involved a clean sweep of the Government Whips' Office, hitherto controlled by Lord Edmund Talbot and Captain Guest, respectively for the two wings of the Coalition. The only fresh blood in the whole welter of change was supplied by Lieut.-Commander Hilton Young, who went to the Treasury as Financial Secretary, and by Major Edward Wood, who succeeded Colonel Amery as Under Secretary for the Colonies. In both cases the infusion was so obviously wholesome that it might well have gone further.

The Recent By-Elections

The ease and apparent spontaneity with which the Government had been reconstructed was reflected in the resultant by-elections. Indeed the by-elections of the last three months have been less exciting than in any quarter since the war. The Labour Party takes its place more and more as the predominant partner in the official Opposition; but a period of dangerous industrial unrest is never

Current Politics

the best opportunity for Labour at the polls, and the verdict on the whole has been emphatically for the Coalition, with majorities only reduced by the normal wastage from the gigantic figures of the last general election. One Minister, Sir Arthur Griffith-Boscawen, lost his seat to Labour at Dudley, but the Labour victories here and at Kirkcaldy were compensated by the failure of Mr. Ramsay Macdonald to retain Mr. Will Crooks's stronghold at Woolwich. Mr. Baldwin, opposed by Labour at Bewdley, was returned by the handsome majority of 12,857. Mr. Kellaway, whose seat was regarded as doubtful, beat his Labour opponent by 4,666, while at Hastings Lord Eustace Percy succeeded in polling more votes than the Liberal and Labour candidates together and will add to the House of Commons a member who knows something of European and much of American affairs. When every allowance has been made for the revolt of the silent voter against the threat of "direct action," the recent by-elections, taken as a whole, show little sign that the country is vehemently hostile to the Coalition.

A more interesting phenomenon is the renewed discussion inside the Coalition itself of its future development and duration. The initiative here, as in so many other serious matters, comes from the Provincial and not from the London Press, which becomes more and more absorbed in trivialities. Thus *The Yorkshire Post*, the great daily paper of the North of England, has lately been devoting its columns to an exhaustive enquiry among its readers, first whether they approve of the continuance of the Coalition at all, and next whether they would give it a permanent existence and under what name. On the first point the bulk of them are apparently agreed. They cannot yet contemplate, any more than the Prime Minister, the deliberate disruption, merely for the sake of disruption, of the men who have worked together in public life since the crisis of the war. On the second point there is wider diversity of opinion, and infinite pains are being lavished

United Kingdom

on the eternal difficulty of selecting a party name that shall at once be expressive, unappropriated, and popular. Of course the whole discussion is in a sense academic. Parties depend for their existence on something more actual than the mere impression that their existence is desirable. People are not to be herded into political pens even by common consent that we gained more than we lost by a party system of the pre-war type. One of these days we shall inevitably and willingly return to that system ; and the dividing line, just as in the past, will lie between those who would quicken and those who would safeguard the changes that must come, between the pioneers of experiment and the champions of tradition. But it is not to be forgotten that the foundations of the new party system are laid already by the appearance of Labour as an official Opposition. Those foundations would be still more obvious if Labour could succeed in providing efficient Parliamentary leaders ; and no doubt it is just this present weakness of Labour in constitutional leadership that is prompting so much search for a redivision of parties that would look less like the "class war." In any case the testing question will crop up sooner or later—later rather than sooner so long as a remarkably skilful politician remains at the head of affairs in Downing Street—and then, and not till then, will it be possible to group our politics afresh with sincerity. The one thing always certain is that the particular division which existed before the war had long become artificial and would now be sheer anachronism.

The Industrial Situation

II. THE INDUSTRIAL SITUATION

A General Survey

HERE are rivers in Africa which over long stretches are swollen by tropical floods, yet dwindle in their lower reaches until they trickle unnavigable out to sea or are lost amidst the sands of the desert. So it has been since the Armistice with the stream of British trade. War, like the sun, knows no limits to its power of evaporation. Is there in our economic system, as in nature, a compensating force which can restore the flow of trade? It is a question that in one form or another is being asked by an ever-growing body of our population. If any reader of the article on this subject in the last number of *THE ROUND TABLE* thought that its tone was too sombre, he will admit that nothing has since occurred to support his view. The figures of unemployment and short time are a fair index of the state of trade. At the end of January, 1,060,000 persons were registered with the exchanges as unemployed, and 640,000 were working short time. The numbers rose steadily week by week, and after the beginning of April more rapidly, owing to the dislocation in other trades caused by the coal strike, until at the end of April they reached the unprecedented totals of 1,834,000 and 1,070,000. This implies that the means of subsistence of not less than ten million men, women and children were directly or indirectly, and to a greater or less extent, cut down. These figures take no account of the million and a quarter coal miners who have been idle since the end of March. That this steady process of pauperisation, extending over months and culminating in a protracted strike in the most important of our industries, should have gone so far without any serious disturbance is the best answer to those who pretend that there is a widespread leaning

United Kingdom

amongst the workers towards revolutionary ideas. Labour as a whole has no faith in violence: it can, with greater justice, be charged with an obstinate disregard of hard economic facts. It rejects the methods of the extremists but accepts their economics.

There can be no branch of industry in which the last three months have not been marked by a steady drop in the number of new orders. Where stocks were held they had to be liquidated, and in a falling market all the world waits for prices to sink still lower. So goods accumulated in stock can only be sold at a sacrifice in price which there is a natural reluctance to make: but until the sacrifice is accepted, and those who hold stocks make up their minds to cut their losses, there can be no return to stable prices or to a demand which would justify the resumption of manufacture. This is as true of goods of which the ultimate consumer can hardly reduce his purchases as of those which he has decided temporarily to do without. Textile fabrics are in the second category, soap and electric lamps in the first. It is hardly credible that less soap or fewer lamps are being taken into actual use than in normal times; but between the manufacturer and the consumer is a bulwark of distributors, each holding stocks and unwilling to replenish them, and the manufacturers' sales are for the time being substantially reduced. Speculation in stocks is an evil not confined to this country, but it is not the only form of speculation. The inability of countries like India and China to pay for goods they have bought, or to carry out programmes drawn up a year or two ago in their own industries, is due to blind faith that their local currencies would maintain their abnormal external value. A new mill in India was planned a year ago, the capital was raised and the plant ordered: everything had been taken into account except the possibility that the rupee would fall from 2s. 6d. to 1s. 4d. before the plant had to be paid for. This kind of error is inherent in the disordered economic conditions which have prevailed since the war,

The Industrial Situation

and it explains why cancellations and postponements make up the present daily budget of most British firms. The war, from the economic standpoint, was four years of relentless destruction of capital: the world has tried to forget it, and to pretend that a tropical exuberance in the growth of paper was an increase in the world's wealth. It is now clear that the capital which built railways in South America or power-stations in England, which developed gold mines in South Africa or steelworks in Australia, is no longer sufficient to meet all these demands; and that this fact has a direct bearing on the ability of a workman in Yorkshire to buy clothes or a farmer in New Zealand to sell his wool and his meat.

No real revival of trade can be expected until the world sets to work to replace the wealth destroyed by the war. That task presupposes first of all peace and political stability, and then a concordat between employers and Labour. Another article in this issue—that dealing with Reparations—attempts to show the influence of foreign policy on economic conditions. That influence goes far beyond the particular problem there discussed. Export credit schemes have been much before the public, and great hopes have been entertained of their power to give us back our lost European trade. There is the Ter Meulen scheme, which rests on the allocation by the participating States of definite assets as security for bonds. There is the revised scheme of the British Government, which was propounded in March by Sir Robert Horne, but has not yet come into operation. The rock on which all such proposals are in danger of shipwreck is the political instability of the countries to which they are to apply. If Poland or Hungary want nitrates or agricultural implements, arrangements can be made through ordinary commercial channels for them to be supplied, and wheat or sugar to be accepted as security for payment. But if the nitrates are required in January and the wheat or the sugar will not be available before September, neither the banks

United Kingdom

nor an export credit committee are likely, in present political conditions, to discount the crop nine months ahead. The risk that it will never be harvested is uninsurable. Or again, what is the gold value of any fixed assets in Lithuania as long as there is a lively prospect of further freebooting raids like that on Vilna ? Another, indeed, has just occurred in Upper Silesia, which has been invaded by Polish insurgents in defiance of the Supreme Council. War, riots, explosions of nationalism, artificial customs barriers, State regulation of trade—all alike make trade impossible.

The political condition of Europe is to some extent beyond our control, but the relations between employers and Labour in Great Britain are not. In the last number of *THE ROUND TABLE* we pointed out that the economic position of industry demanded a reduction in wages ; that Labour rightly required proof, in the form of a prior reduction of profits and overhead charges, that it was not alone in being called on to make sacrifices, and in addition protection, by an adequate scheme of insurance, against unemployment in future. How far have these conditions been met ; has any substantial reduction in wages in fact been brought about ? In industries in which wages were fixed by agreement on a scale varying with the cost of living or the selling price of the product, reductions have been made without friction. The railway men, woollen operatives, and iron and steel workers are amongst those in this class. Where wages do not move on a sliding scale, on the whole little progress has been made towards lower rates. The shipyard Trade Unions have accepted, by a small majority on a ballot, a reduction, in two instalments, of 6s. a week on time rates and 15 per cent. on corresponding piece rates ; but there is local and sectional opposition to the enforcement of the new rates. The Engineering Employers' Federation have asked for a similar reduction and in addition for the abandonment of the bonuses of 12½ per cent. on total wages for time-workers and 7½ per cent. for

The Industrial Situation

piece-workers, which were granted during the war. They have also threatened a national lock-out unless the Unions forgo their claim to a voice in the decision when overtime is to be worked. In support of their demand for a reduction in wages the employers have published a 40-page pamphlet full of "economic facts," carefully selected: the curious may read of the theory of foreign exchange, the influence of silver on the currencies of the Far East, the movement of prices, the incidence of taxation, the orders lost to foreign competition. To this the Unions have issued a counter-blast, just as long, in which the accent is shifted to profits and dividends, bad management and the fallacies of the employers' economics. This Battle of the Books, waged on the public stage, may entertain the observer, but it leaves the parties fencing for position. The Unions express their firm resolve to accept no reductions and there, for the moment, the matter rests. In the cotton trade the employers are proposing a reduction of 6s. in the £, but negotiations have as yet barely begun.

The ultimate reduction in every other industry waits on the decision of the coal strike. Both employers and Labour have regarded the dispute over miners' wages as a test case. Labour recognises that if the miners are beaten, other Unions will find it difficult to resist any reduction that the employers may demand. To industries outside coal mining, particularly the iron and steel and engineering industries, the amount of the reduction which the miners eventually accept is almost more important than the wages of their own workmen. On these grounds, as well as on that of its paralysing effect on the industrial life of the country, the coal strike merits special attention.

United Kingdom

The Origins of the Coal Strike

In the early months of the year the price offered for export coal fell rapidly from 85s. to about 40s. a ton, and to-day coal cannot be sold on the French or Italian market at any higher price than about 24s. During the same period the spread of unemployment in other industries in Great Britain, and especially in the iron and steel industry, led to a much diminished home demand. On the Continent English coal has been ousted owing to the deliveries made by Germany and to imports from America. The average net cost of production per ton of coal in Great Britain during the first three months of the year was between 39s. and 40s. : of this cost 28s. represented wages. The loss per ton was 5s. 8d. in January, 6s. in February and 6s. 10d. in March. If control, with its guaranteed wages and profits, continued, the Government was faced with the need of a contribution from the Exchequer of about £5,000,000 a month. Accordingly, Parliament was asked by legislation to advance the date of decontrol from August 31 to March 31, and the Act was passed early in March. Thus the coal owners and the miners, who had been negotiating since November as to the future basis of wages, were left with three weeks in which to come to an agreement on the wages to be paid in the industry from April 1. They failed to do so, work ceased at the end of March, and as these lines are being written, in mid-May, has not been resumed.

The action of the Government in advancing the date of decontrol and throwing the industry overboard at a few weeks' notice has been denounced by a large part of the Labour movement as the first move in a conspiracy between the Government and employers generally to force Labour to accept sweeping reductions in wages. That the allegation should have been made is evidence at once of the un-wisdom of the Government in laying itself open to such a

The Industrial Situation

charge, and of the suspicion in which, through its previous treatment of the mining industry, it is held. Control carries certain advantages to the State and also certain obligations. One of those is that proper arrangements should be made to cover the transition to normal working, and this obligation is more rather than less imperative when decontrol falls in a period of extraordinary trade depression. In itself control has a pernicious influence over any industry, because it obscures the fundamental condition on which all industry exists, ability to sell its products in an open market. For that reason the State must expect to find the natural instinct of all those engaged in an industry to accommodate themselves to that condition dulled by a long period of control, and since the State imposed control in its own interests, it may reasonably make allowance for this weakness of human nature. It should in any case have been obvious that the reduction of miners' wages was the key, from the point of view of the psychology of Labour, to reductions in all industries, and that a settlement by consent with the miners was the best guarantee of a settlement by consent with other Unions.

But apart from the date of decontrol, the action of the Government left the owners free to fix new rates of wages on a district basis, and this was not unnaturally regarded by the miners as a breach of that condition of the settlement last autumn which promised a National Wages Board. The article in the December number of *THE ROUND TABLE* on the last coal strike pointed out the consequences of that undertaking, if it meant that national rates of wages were to be paid. There could be no more striking example of the dangers of improvised Government settlements of industrial disputes than this ambiguous promise in November of a National Wages Board—a promise which, if interpreted as the miners were entitled to interpret it, cut at the root of the organisation of the mining industry.

It is not easy to defend the wages offer made by the coal owners before the strike. The reductions varied widely

United Kingdom

between districts in accordance with the richness of the seams and the use to which the coal was put. Owing to the multiplicity of grades, a complete statement of the wages offered in different districts would fill a book: moreover there is a wide divergence between the summarised figures prepared by the miners and the owners. But, to take average figures quoted by the owners, the weekly wage was to be reduced in Scotland from 101s. to 78s.; to be increased in Yorkshire from 101s. to 102s.; to be reduced in Durham from 92s. to 65s., and in south Wales from 97s. to 57s. In some districts the wages of the lower-paid grades, such as labourers, would have fallen even lower, to a fraction over 1s. an hour: they would compare with 1s. 11d. an hour paid to unskilled unemployed labour on road-making and would be substantially below the wages of town scavengers in the same districts. The publication of these figures did much to damage the owners' case in the eyes of the public, and the impression was deepened by the disclosure of the fact that the owners had included in their calculations a profit to themselves of 17 per cent. on the 1914 wages before arriving at these wages rates. When the state of trade compelled employers in all other industries to work at a loss, there could be no justification for a claim by the coal owners to be relieved of a risk which capital has hitherto always borne—a risk, indeed, on which its title to receive profits, as distinct from interest, in times of prosperity is founded.

This is a broad statement of the issues as they appeared at the beginning of the dispute; but the subsequent negotiations, which it is necessary now to describe, have introduced considerations of an entirely different order.

The Interlude of the Triple Alliance

To recount in detail the negotiations which preceded the stoppage of the mines at midnight on March 31 would be tedious and unprofitable. It is sufficient to say that they followed the normal course—a minimum demand,

The Industrial Situation

a maximum offer, several national conferences of miners' delegates, several alleged consultations of the rank and file, repeated meetings between the parties (each more "critical" than the one before), amended offers, further discussions, and finally a decision. That decision was taken on March 30, when the Executive of the Miners' Federation of Great Britain telegraphed instructions to the coalfields for a cessation of work by all men employed in or about the mines, including the enginemen and pumpmen on whose labour depended the freedom of the pits from flooding and accumulation of gas. "All notices must take effect, regardless of occupation," were the actual terms of the order. For the first time in the history of national coal strikes, the men responsible for preserving the mines in a condition which would make possible an instant resumption of work were directed by the trade union leaders to leave their posts. Such a step had often been threatened unofficially on the eve of coal strikes. It was actually taken in the case of the Yorkshire strike of 1919. Now it was applied by the decision of the national leaders of the miners to every pit in the country. It was, some of them frankly admitted, a desperate measure. From the point of view of the miners themselves, as they must have realised, it could not but be a disastrous one. But it was more than desperate and disastrous; it was deliberate. Nor were the leaders lacking in argument for it. The owners' notices, by which the miners' contracts of employment at their existing wages were ended, applied (so the miners argued) to the pumpmen as well as to the rest of the colliery workers. Moreover, the miners contended, they were no more under an obligation to protect the owners' property during a stoppage than the owners were under an obligation to feed and clothe the miners' families.

But whatever excuses may be advanced for the withdrawal of the pumpmen, it is hard to resist the suspicion that something more cogent actuated those who ordered it. Possibly the thought in their mind ran something

United Kingdom

like this: "The Government and the owners are not afraid of an ordinary stoppage of the pits, provided that the pits are kept pumped and undamaged. They imagine that after a week or two, when our funds are exhausted and some of us are weakening, they will be able to get a settlement more cheaply than they could now. Let us upset their plans. While they are wearing us down, let their property be flooded." Whether this be so or not, it is tolerably certain that both the Government and the mine-owners were taken aback by the departure of the miners from their usual practice of safeguarding the mines. The Government, no doubt, had schemes prepared for economising coal supplies and coping with any possible extension of the dispute to the railways and other transport services; but there is nothing to show that they were prepared to ensure the continued pumping and ventilation of the pits; indeed the event proved that they were able to do so only by agreement with the miners, and then merely on a partial scale. In so far, therefore, as the miners intended to make their first blow their heaviest, they succeeded; but it recoiled on themselves. They gained by it a reopening of negotiations, but they did not shorten the stoppage or force the owners or the Government appreciably to give ground. On the other hand, they unquestionably alienated much of the public sympathy which had been drawn to them by the severity of the wage reductions originally proposed by the owners, and they jeopardised their own livelihood.

This, however, was only the first of the reverses which the miners suffered. The second, and more far-reaching in its consequences for the rest of the trade union movement, was the virtual desertion of the miners by their partners in the Triple Alliance—the railwaymen and the transport workers. The following is the story of the advance and retirement of the Alliance told in diary form:—

March 30.—Instructions were issued for a stoppage of the mines at midnight on March 31.

The Industrial Situation

March 31.—The Executives of the Triple Alliance (Miners' Federation, National Union of Railwaymen, and Transport Workers' Federation) met jointly. The miners stated their case. The railwaymen decided to hold a delegate meeting to consider action, and the transport workers decided to summon the executives of their 35 affiliated unions. Both groups declared that the treatment of the miners was "a prelude to a general attempt to destroy national agreements and reduce wages."

April 3.—Mr. C. T. Cramp, Industrial Secretary of the N.U.R., said the Triple Alliance, acting together, could succeed, "and if they can be successful, then they ought to have a shot at being successful." Mr. Ben Smith, secretary of the United Vehicle Workers, spoke of a general strike and urged his members to get ready for "The Day."

April 6.—The transport workers decided to give the miners all the assistance in their power. The railwaymen decided to consult their allies on the best way of rendering assistance.

April 8.—The railwaymen and transport workers announced that, failing a resumption of negotiations between the miners, mine owners and Government, the "full strike power of the Triple Alliance" would be put into operation at midnight on April 12.

April 9.—The railwaymen and transport workers met the Prime Minister, and arrangements were made for a reopening of negotiations on the condition that the miners should be ordered not to interfere with measures for securing the safety of the mines.

April 11.—The Triple Alliance announced that, unless an offer were made to the miners which their allies could recommend them to accept, the railway and transport strike would begin at the hour fixed.

April 12.—The coal negotiations again broke down, but the railway and transport strike was postponed until further orders.

April 13.—The railwaymen and transport workers decided to declare a strike to begin at 10 o'clock on the night of April 15. Other unions, including the locomotive drivers and electrical workers, were reported to be willing to take similar action.

April 14.—Mr. Frank Hodges, secretary of the Miners' Federation, told a meeting of Members of Parliament that the Federation was ready to make a temporary settlement on wages without prejudice to the larger claims for a national pool.

April 15.—The railwaymen and transport workers, without assigning any reason for their decision, cancelled the strike fixed to begin that evening.

This dramatic reversal of plan on the part of the miners' partners in the Triple Alliance has not yet been fully or

United Kingdom

authoritatively explained. One explanation is suggested in the question ironically asked by a communist paper : "What would have happened to Earl Haig if he had attacked the enemy on 31/3/21 and informed them fifteen days later that the reserves were coming up ?" The staff work of the Triple Alliance was defective. As a fighting machine, the Alliance lacked cohesion, co-ordination of parts, and speed of movement. The exercise of the "full strike power of the Triple Alliance" (the phrase used in the announcement of April 8) would create a dislocation and demoralisation in the industrial and social life of the country which could not fail gravely to threaten the stability of the industrial and social system. Certain irresponsible men who profess to desire a violent revolution in Great Britain openly hailed the threat of an Alliance strike on the ground that such a strike would precipitate a national upheaval. They were bitterly disappointed by the cancellation of the strike. Even the *Daily Herald*, which is moderate by comparison with some Labour papers, was moved to say on April 16 that "Yesterday was the heaviest defeat that has befallen the Labour movement within the memory of man." There is ample proof in the torrent of abuse poured by the more disreputable papers on the leaders of the railwaymen and transport workers that, so far as they at least were concerned, the Triple Alliance strike was expected to be the signal for a general strike and an attempt to overthrow "capitalism." From that point of view the *débâcle* is easy to understand. You cannot have a violent revolution on the instalment system. The Triple Alliance waited too long. They gave the Government time to fortify their position by the mobilisation of national forces and by various emergency precautions, and so robbed the strike of that immediate paralysing effect by which alone it could have succeeded. In short, for so revolutionary a step, it was too belated, and therefore doomed to fail.

So far, it has been assumed, first, that the leaders were

The Industrial Situation

sincere in their intention to lead a strike at the appointed hour, and, secondly, that their men were prepared to follow them. These are points on which there is no direct or conclusive evidence. It may, however, be permissible to draw a tentative inference from the known circumstances of the cancellation of the strike. The strike was cancelled after Mr. Hodges had made, apparently in the name of the miners' executive, a statement which was promptly interpreted by the Government as a new peace offer. That statement, as reported, did not embody any new proposal; it did embody a proposal which had been submitted to the miners nearly a month before and decisively rejected by them, the proposal, namely, that the contentious questions of a national pool and a national board should be deferred until a temporary settlement had been reached on a question of wage rates. The Prime Minister at once offered to reopen negotiations on this basis. The Miners' Executive refused the offer. The railwaymen and transport workers pressed them to accept it. They persisted in their refusal. Thereupon the railway and transport strike was cancelled. Incidentally, Mr. Hodges tendered his resignation, and withdrew it at the unanimous request of the executive. Perhaps he blundered when he made the suggestion which his committee repudiated. But the railwaymen and transport workers knew that it had been repudiated before they cancelled their strike. Does there not appear to have been, on their part, a certain eagerness to seize the first pretext for avoiding the plunge? And if that eagerness was there, may it not have been due in part to reluctance to translate into action a threat which was never meant to be more than a threat, only realistic enough to impress the public and reassure the miners? Further, may not that reluctance have been attributable in part to uncertainty about the completeness of the response which would be made to the strike call? These are questions to which no definite answer can be given. But it is possible to recall, as throwing some light on them, the statement

United Kingdom

made by Mr. Robert Williams, secretary of the Transport Workers, on April 16, that the strike was called off because "no reasonable hope remained of securing a spontaneous and united action of the three bodies," and because "a partial and hopelessly incomplete stoppage would have weakened the power of the three organisations without contributing any material assistance to the miners."

Reference is made above to attacks on the Triple Alliance leaders by extremists in various trades and districts. Mr. Hodges did not escape denunciation as a "traitor," and there were calls from small groups of miners for his dismissal. These outbursts are not surprising when it is remembered that Labour had been told in big headlines that the whole movement "stands as one" and that the "stage is set" for the general strike. So said the *Daily Herald* on April 15. Its lamentation on the following day has already been quoted. The *New Statesman* also took a very serious view of the defection of the miners' allies. On April 23 it asserted that the "Triple Alliance has committed suicide." But it went on, as did other mourners, to look for a brighter day. "It is quite possible," said this paper, "that a less unwieldy and more effective instrument for co-ordination of trade union activities will be created in its place." And the *Daily Herald* : "What we need is a new machinery and a new spirit. . . . Sectionalism is the weakness of the movement. It must be given up." The diagnosis is not new. For years the Left Wing of trade unionism, represented by the "rank and file" movement, has tried to break down the barriers between craft and craft, and to promote "solidarity," beginning by workshops and spreading by districts until the whole country is "consolidated." Vested interests, trade jealousies, even personal rivalries, stand in the way of any assault on sectionalism. Yet in recent years great progress has been made in the amalgamation of overlapping or kindred trade unions, and the process is steadily accelerating. To what extent the experience of the Triple Alliance will affect its

The Industrial Situation

future organisation remains to be seen. That the Alliance will disappear unless and until some more comprehensive and more closely knit organism has been evolved is hard to believe. It is far more probable that, as soon as the coal dispute is out of the way, the leaders of the Alliance will set to work to make of it a more compact and more mobile body, for they are not men to ignore the moral of their failures or to nurse the pique and soreness of a humiliating moment.

Subsequent Negotiations

Since the menace of a strike of the Triple Alliance was withdrawn, the coal dispute has dragged on to the exasperation of public opinion. After some delay negotiations between the Government, the owners and the miners were reopened. The miners have stood out for a National Wages Board and a National Pool. What they mean by a National Pool is still obscure. Its opponents describe it as a pool of profits, and then condemn it on the ground that pooling of profits means a premium on inefficient management. Mr. Hodges claims that 80 per cent. of the pool would come out of wages, since the owners and the miners have already agreed to divide surplus profits in the proportion of 1 to 5. But where is the pool to come from when, as at present, there are no surplus profits? Surplus profits are provided by the consumer, and if he is willing the pool can be found; but at present he is not, and it is in present conditions that the whole trouble lies. Mr. Lloyd George claims, again, that a pool implies legislation and control, and the Government will have no more of that. Mr. Hodges retorts that neither is necessary and that the owners could pool at any time by a voluntary arrangement. They could, if they would; but no one knows better than Mr. Hodges that the owners of different districts are not now, and never have been, on the terms with one another which a voluntary pool implies. He knows, too, that the miners, or a party

United Kingdom

amongst them, persist in their demand for a National Pool, not because they think it will improve their wages in the present but because they wish to preserve the last link with nationalisation. Mr. Hodges has long since written off nationalisation, unless it can be obtained by ordinary political action. But some of his less discerning fellows, more sceptical of the possibilities of politics, see in a return to a pure district wage system the death-blow to nationalisation in their time. As to the National Wages Board, Mr. Lloyd George has conceded it, but it is to fix not national rates but district rates by national negotiation.

Interwoven with these sterile debates has been discussion of wages, which goes to the root of the matter. The miners would accept an all-round reduction of 2s. a shift. As prices are to-day that would require a subsidy from the Exchequer of £36,000,000 per annum. The Government have offered to pay £10,000,000 during the next four months, as a final contribution, if the miners will accept a reduction beginning at 3s. a shift in May and rising by 6d. a shift a month. That offer the miners have rejected ; and they return defiantly to the claim for a national pool, and speak of a strike that will last for months. Now the justification for an Exchequer contribution is primarily the relief which the taxpayer has had through contributions from the mining industry under control. It is claimed that the mines paid to the State, under their special arrangements, a higher percentage of their excess profits than those paid by other industries in the form of Excess Profits Duty. The calculations on which a comparison of coal mining with, say, the steel industry can be based are extremely intricate ; but it is understood that the maximum amount over the four years of control which the mines can legitimately claim to have paid in excess of what would have been their obligation under the Excess Profits Duty Act is about £18,000,000. It is impossible, therefore, to justify a subsidy in excess of that amount. The Prime Minister has refused to go beyond £10,000,000, and in view of the slight

The Industrial Situation

encouragement which he has had to offer something more but within the limit of what can be justified, this is not surprising. The truth is that the miners have in all their more recent negotiations succeeded in giving the impression that they are incapable of squarely facing the economic position of the industry. No levies or pools or subsidies can offer a means of taking more out of the industry than there is in it. The cost of British coal, by comparison with all other coal, is prohibitive, and as long as this is true the industry will languish. Seventy per cent. of the cost represents wages, and the one need of the present is to bring down the wages cost, and, as far as that is possible, all other costs per ton. A reduction of wages rates is one method of reducing wages costs per ton. But it is not the best method, and what the industry most needs is greater output per man. In 1913 the output per man was 260 tons with an eight-hour shift ; in 1920 it was 190 tons with a seven-hour shift. No doubt improved management could also be an important factor both in increasing output and in reducing costs other than wages costs ; but it is not enough. The low intensity of human labour in the mines of Great Britain has for some years been notorious, and the miner's standard of living in future will depend primarily, whatever the end of this strike may be, on what he can do to increase his output.

Here in mid-May no settlement is in sight. No industrial dispute of recent years has presented greater difficulties or offered less prospect of successful mediation than the coal strike at this stage. There is no lack of persons with ambitions to mediate, and schemes of settlement hang on every bough : they tempt none of the parties. There are some who hold that the strike will go on, and should be allowed to go on, until the miners are starved into submission. They would argue that every great strike since 1911 has been settled by a compromise, and that Labour needs to-day a demonstration, in an impressive and memorable form, that the strike weapon is a failure. If the miners are

United Kingdom

beaten now, no other Union can hope to win, and the country may be spared serious strikes for some years. It is a line of argument with which we confess we are out of sympathy, and it is stated here only because of the powerful support it can count on. The answer to it, and it seems to us a conclusive answer, is that no body of men starved into submission ever went back to work willingly or with a keen desire to re-establish the industry they were in. On the contrary, they go back sullen and discontented, to bide their time and contrive their revenge. The industrial future of Great Britain turns on the degree of co-operation which can be brought about between employers and Labour ; and in securing co-operation reason is a more powerful weapon than hunger.

London. May, 1921.

INDIA

THE DELHI PARLIAMENT

I. THE OPENING CEREMONY

POMP and glittering ceremony adorned every stage of the Duke of Connaught's now famous journey through India, but no occasion held such significance for the troubled present or the unknown future as the inauguration of the Indian Legislature on February 9 in Delhi. This inauguration came as the culmination of the successive openings of the new Provincial Councils ; and, though in some respects the vital test of the new constitution will actually be applied with greater severity in the provincial capitals than in Delhi, the central legislature eclipses in significance any other organ of government throughout the Indian Empire. To those who cannot look forward this may seem an exaggeration. It is, in fact, nothing but a sober statement of one of the chief political realities in India. The Delhi Parliament is the lynch-pin of the whole engine of the new reforms. Upon its achievement will largely rest the development of government in India.

The setting of the opening scene could hardly have been more fitting. In the brilliant morning sunshine of Northern India in winter the Council of State and the Legislative Assembly, representing interests and ambitions little short of continental, assembled in the simple dignified Chamber which is the Assembly's temporary home in the Imperial Secretariat, to receive the royal message with which the opening of the new era was to be proclaimed. No one

India

can say what the precise expectation of the majority then was or, indeed, whether it was precise at all. Neither chamber had any corporate existence or common thought. It was clear, however, from a hasty census of individual opinions that most of those present had brought mixed feelings with them. It might seem almost presumptuous for a European to attempt to disentangle each sentiment from the mixture, especially as the minds of those whom he consulted were themselves in a state of confusion. At the same time, from the point of view of future developments, it is not unimportant to realise, even in a general sense, the political state of mind of the moderate parties at the opening of the new era. Hope, undoubtedly, was uppermost ; but doubts, fears, and sombre recollections from the near past, forbade any man in either chamber to be sanguine.

It was thus an interested, friendly, but also perplexed and critical audience that confronted the Duke of Connaught on February 9. There was no shadow of hostility to him personally. Throughout his journeys in India he received the warmest of welcomes from all those who were ready to welcome him at all, and the Indian Legislature was not to be outdone in hospitality by any body that had gone before. It was rather in his capacity as the messenger of His Majesty's Government, influenced no doubt by the judgment of the Government of India, that he and his message were regarded with that perplexed and somewhat critical interest spoken of above. Whatever fears there were soon vanished.

On the arrival of the Duke of Connaught, followed a few moments later by the Viceroy, an imposing procession was formed under the shamiana in front of the Imperial Secretariat. Led by the Presidents of the two Chambers—the Hon. Mr. A. P. Muddiman, C.S.I., C.I.E., President of the Council of State ; and the Hon. Mr. A. F. Whyte, President of the Legislative Assembly—a double column of brilliantly robed personages marched slowly between

The Opening Ceremony

serried ranks of interested spectators into the Assembly Chamber. The Viceroy and the Duke of Connaught were seated on two simple but massive thrones on the President's dais. Before them in the open space in the centre of the chamber were seated the two Presidents. Every seat in the amphitheatre itself was filled. The whole house was a rainbow study in colour. On the Viceroy's right the uniforms of the Government of India gave a splash of gold and blue to the picture. A little further on a group of white pugarees from the Punjab brought in another note of colour ; and throughout the rest of the chamber were gorgeous turbans and ceremonial dress of such varied hue and style as to baffle individual description ; while dotted here and there, almost unseen in the blaze of colour, were the somewhat drab morning-coats of the European non-official members.

The opening speeches dealt adequately with the constitutional position created by the Government of India Act. Neither of them contained any striking declaration of policy ; nor were such words looked for on that occasion. In well-chosen paragraphs, and in the tones of an unusually pleasant and powerful voice, the Viceroy recited the chapter of Indian history which had brought her peoples to that historic moment. The only really resonant note which he struck was his emphatic declaration that the new constitution stood apart and above all previous instruments of Indian government, because it was inspired by a genuine conception of self-government. In it and by it the principle of autocracy was for the first time deliberately and explicitly abandoned.

The Duke of Connaught took up the same thread. Following it into its practical and personal consequences, he laid stress on the fact that the new constitution presents to India a problem as well as a privilege. Without striking the didactic note, he reminded the Legislature of those prolonged efforts in education and political apprenticeship which are the price of success in popular government. For

India

the rest, the speech followed the path marked out for great public personages on such occasions, and had it ended there it would have left an impression of propriety and dignity, as well as a pleasant literary flavour, but nothing more. The impression would soon have faded. But the Duke kept the living word of his speech to the end. Pausing at the close of his well-marshalled political argument, His Royal Highness seemed to throw off the garment of royalty and suddenly to speak as a noble veteran, as man to man :—

Since I landed I have felt around me bitterness and estrangement between those who have been and should be friends. The shadow of Amritsar has lengthened over the fair face of India. I know how deep is the concern felt by His Majesty the King-Emperor at the terrible chapter of events in the Punjab. No one can deplore those events more intensely than I do myself.

I have reached a time of life when I most desire to heal wounds and to re-unite those who have been disunited. In what must be, I fear, my last visit to the India I love so well, here in the new Capital, inaugurating a new constitution, I am moved to make you a personal appeal, put in the simple words that come from my heart, not to be coldly and critically interpreted.

My experience tells me that misunderstandings usually mean mistakes on either side. As an old friend of India, I appeal to you all—British and Indians—to bury along with the dead past the mistakes and misunderstandings of the past, to forgive where you have to forgive, and to join hands and to work together to realise the hopes that arise from to-day.

Rarely in any public assembly has an appeal so moving been made. It was spoken from the heart ; and it went to the heart of every man present. In it the Duke of Connaught struck a deep note that continued to sound throughout the entire proceedings of the ensuing session of the Indian Legislature. It was the sincere appeal of a man distressed ; and the depth of its sincerity gave it not only poignancy, but also a political effect beyond anything that could have been expected. In his simple closing words, the Duke of Connaught set an example to Government and Indian politician alike. Looking back on the

The Debates

past session of the Delhi Parliament, we are encouraged to say that the example has been heeded.

II. THE DEBATES

WITHIN five days of the utterance of the Duke's words both Chambers of the Legislature were submitted to the test. In the Council of State, Srinivasa Sastri moved a resolution asking for the appointment of a committee to reopen the question of repressive legislation. Mr. Sastri's speech was like himself, dignified, generous, persuasive ; and the debate which followed was the first notable sign of the remarkable change in the Indian political atmosphere that has come about in recent months. With something little short of unanimity, the Council of State demanded the repeal of repressive legislation in general and the Rowlatt Act in particular. Here and there, of course, stalwart believers in the strong hand, led by Sir Umar Hayat Khan and Sir Bahram Khan, reminded the Council that the element of force in Government is indispensable ; but the Government itself, through the mouth of Sir William Vincent, announced that they were prepared to reopen the whole subject, with the result that, after a debate lasting less than three hours, the resolution was carried unanimously. The Government of India had thus taken the first public step to show that they were prepared in the fullest sense to share their responsibilities with their elected colleagues.

A much severer test was applied in the Legislative Assembly on February 15, when Jamnadas Dwarkadas, a young politician of most promising ability from Bombay, moved a resolution on the administration of martial law in the Punjab in 1919. The resolution asked the Government :—

(1) To declare its adhesion to the principle of equal partnership for Indian and European in the British Empire ; (2) to express

India

regret that martial law in the Punjab violated this fundamental Imperial principle; (3) to administer deterrent punishment to officers guilty of an improper exercise of their powers, including the withdrawal of their pensions; (4) to assure itself that adequate compensation is awarded to those who lost their relatives at the Jallianwala Bagh and elsewhere.

Jamnadas Dwarkadas moved his resolution in a speech of remarkable breadth and power. At the very outset he turned to those who had professed disappointment because the Duke of Connaught's speech had conferred no new boon on India, and said : " My answer is that India is now put on the path of responsible government, and ought no longer to be prepared to have boons conferred upon it, as it lies in the power of its representatives to demand by right that which they think the Government ought to give." In the strict reading of the constitution these words may seem to go beyond the facts; but they set forth with perfect truth the vital implication underlying the Government of India Act. They merely repeat the explicit announcement of the Viceroy, that the principle of autocracy has been abandoned, and, in the mouth of so able a politician as Jamnadas Dwarkadas, they must be taken as an expression of the political conviction of all responsible and self-reliant Indians. The political conception underlying Jamnadas Dwarkadas's speech was that if there is to be co-operation it must be inspired by mutual respect, which could only be based upon mutual acknowledgment of the rights and the power of both parties :—

If this resolution be met, as I venture to believe it will be, in the sincere desire for co-operation in which I offer it, then the past can be thrown behind us, and we can go forward together and fulfil His Royal Highness's desire " to forgive where we have to forgive, and to join hands and to work together to realise the hopes that arise from to-day."

The debate ran for four hours, following the line marked out for it by the mover of the resolution, who, in his turn, openly acknowledged that his mood had been inspired by

The Debates

the Duke of Connaught. Speech after speech expressed the sharply-wounded feelings of the Indians under the harrow of martial law ; some acknowledged the necessity of drastic action ; only a very few laid emphasis on the causes which had driven the Punjab Government to act. It was a refreshing moment when one of the older Sikhs bluntly told the Assembly that if debates such as these were to be interpreted as a demand that martial law should never be applied in a country like India, the only alternative was anarchy and bloodshed. But the characteristic note struck by members from the Punjab was the demand for the release of the martial law prisoners—a demand which Sir William Vincent met in a summary fashion by reciting the history of typical individual cases of delinquents still serving sentence. Many, of course, have been released. Sir William Vincent's speech in this respect had an immediate effect, especially as it was backed by the hitherto unanswered challenge, "I will take up any case now which he can produce where he can show that the man was unjustly convicted, or which is a reasonable case for the exercise of clemency."

On the main question of policy raised by the resolution the debate revealed a substantial agreement between the Government of India and its critics—an agreement which evidently surprised many in the Legislative Assembly and multitudes outside its walls. By accepting the substance of the resolution the sting was taken out of the word "Amritsar." If this was the most remarkable feature of a debate worthy of its subject, another feature, little behind it in significance, was the force of the demand of numerous voices among the elected members that Jamnadas Dwarakadas should expunge the third clause from his resolution which called for deterrent punishment of official offenders. This demand was in part spontaneous, and in part prompted by the excellent short speech made by the Commander-in-Chief and by the specific instances given by Sir William Vincent and Sir Godfrey Fell. In one case of an official,

India

now no longer in India, the Home Member said : " We considered the cumulative effect of his errors ; his record was not too good, and, considering this, with his conduct on this occasion, we thought he was not a useful servant of Government, and the sooner he left the country the better." Public censure so severe has probably never been passed by a Cabinet Minister in the United Kingdom upon a subordinate. On consideration, the Indian members realised that for a British officer a broken career is virtually the end of life. Indeed, Sir Godfrey Fell, speaking of the position of certain military officers who had fallen under the censure of their superiors, said : " As it was put to me the other day by a very distinguished General Officer, to leave the army in those circumstances would be to many officers a disgrace worse than death." So the debate closed, clinching the impression made by the earlier discussion in the Council of State, that the Reformed Constitution had provided a spacious platform on which officials and elected politicians could at least make a beginning in harmony.

It may be added as a footnote that, while the foregoing debate threw a happy light on the present policy of the Government of India, the Government of the Punjab had given a much more dramatic proof of the manner and spirit in which it desired to administer the constitution, by appointing Lala Harkishen Lal, the " rebel " of 1919, to the post of Minister of Agriculture in 1921.

A week later a similar debate took place on the Press Act. T. V. Seshagiri Ayyar, a former Judge, who is now one of the ablest of the representatives of Madras, gave notice of his intention to introduce in the Assembly a Bill relating to the Press Act. It had been the Government's intention for some months to reopen the whole question of the legislation controlling the Press, but they were not prepared to proceed immediately by Bill. Therefore, on February 22, Mr. S. P. O'Donnell, Secretary to the Home Department, moved for the appointment of a committee " to examine the Press and Registration of Books Act, 1867, and the

The Debates

Indian Press Act, 1910, and report what modifications are required in the existing law." The terms of the resolution did not quite satisfy the Assembly. Many members wished to tie the Government down to more explicit pledges. The result of the debate, which lasted a little more than an hour and a half, eventually was an agreement between the Government and its critics which found expression in the following resolution :—

This Assembly recommends to the Governor-General in Council that a committee, of whom not less than two thirds shall be non-officials, be appointed to examine the Press and Registration of Books Act, 1867, the Newspaper Incitement Act (VII) of 1908, and the Indian Press Act, 1910, and to report which of these should be repealed or modified, and, in the latter case, what modifications are required.

Thus the Government took the second step in the process of making the new era a political reality.

Important as these subjects were owing to the part which they have played in the recent political history of India, Finance and the Army overshadowed them all during the recent session of the Legislature. The ironical imp who turns the wheel of fortune in politics could hardly have devised an economic setting less favourable to the inauguration of the reforms than has been presented by conditions of trade, commerce and agriculture in India during the past year. Not only was the monsoon of 1920 a comparative failure, but the depression which had already wrought havoc with the belligerent prosperity of Europe and America struck India at the very moment when she was preparing for the inauguration of the new reforms and ensured for them an unfavourable Budget as the first test of their validity. The economic problem, of which the present Budget is one of the principal fruits, would be critical enough for any parliamentary body to deal with. In India it is complicated by the predominating influence which military expenditure has over all public finance.

There is a great deal of popular misconception in India,

India

both as regards the actual facts of army expenditure and as regards their relation to the rest of public expenditure. But, when all exaggeration and hyperbole have been shorn away, there still remains the anomaly that India stands in an unenviable eminence compared with other countries in the ratio of military costs to her entire Budget. Yet, if that were all, the problem would be simpler than it is. The racial factor enters into every army problem in India and will be more insistent in the future than it has been in the past. No one could listen to the debates in the Legislative Assembly, on the various aspects of army policy and administration, without realising that probably the major grievance of most Indians against the present system does not reside merely in the size of the Army Budget but in the difficulties hitherto standing in the way of a large and free entry of their fellow-countrymen into the ranks of commissioned officers. A certain amount of progress is being made every year with this subject, but the progress is slow and the clamour for a larger entry grows louder every year. It is difficult to persuade the average Indian politician that, apart altogether from any race prejudice, the entry of large numbers of Indian officers raises serious regimental problems. Indian critics on army administration are beginning to realise, and it is hoped that they will realise more and more fully, that until they face this particular problem in all its aspects with complete candour, they will neither be able to understand nor to solve it. It is fortunately no part of the present writer's duty to examine it further, but some emphasis has been laid upon it because of the part which it has played in several important debates during the recent session of the Delhi Parliament.

Even so, that is not the whole story. Every debate on army questions in Delhi during February and March was exacerbated by the suspicion that the report of the Esher Committee was the signal for an invasion of Indian political rights by the British War Office. It was difficult, by any form of argument, to persuade the Assembly that the

The Debates

report did not mean an end of the independent existence of the Indian Army. On two separate occasions the Assembly unanimously passed resolutions denouncing this tendency and insisting that :—

Notwithstanding anything contained in Parts I. and II. of the Esher Committee's report, the army in India should be entirely under the control, real as well as nominal, of the Government of India and should be free from any domination or interference of the War Office on matters of military policy, organisation or administration ; and that such co-ordination as may be desirable between the military policy or organisation of different parts of the Empire should be secured by discussion and agreement at conferences at which India is adequately represented.

These words give the substance of a resolution moved by Sir Sivaswamy Aiyer and carried unanimously after Sir Godfrey Fell had assured the Assembly that it represented the policy of the Government of India. As a member of the Esher Committee himself, Sir Godfrey Fell did his utmost to remove certain misconceptions regarding the report. He could not, however, remove the impression, first, that the personnel of the Committee was not all that could be desired, and, second, that its method of handling the question was not calculated to inspire confidence in the minds of independent observers.

At the very end of the session the same subject came up again, when a committee of the Legislative Assembly laid on the table a report dealing with the main issues raised by the Esher Report. On this occasion, as in the debate quoted above, Sir Sivaswamy Aiyer distinguished himself by the lucidity and moderation of his arguments. A whole day was spent on the subject, and the mind of the Assembly was expressed clearly enough to enable the Government of India to telegraph to the Secretary of State a convincing account of the attitude of the educated Indian public towards the questions raised by the Esher Report. In this respect, the deliberation of the Assembly's Committee, and the subsequent debate on the last day of the session,

India

served a useful purpose. They supplied strong backing to the Government of India in its fight to retain unfettered control of its own military forces, and they revealed the growing sentiment among Indian nationalists that the capacity for self-defence is one of the foundations of self-government. Most Indians acknowledge that this capacity will require many years before it grows to its full stature. That acknowledgment takes some of the sting out of their attack on the present military system. But it would be imprudent for anyone judging the immediate political situation to lay too much stress upon it. The Report of the Assembly Committee on the Esher proposals ought to be read as the herald of a widespread agitation which will confront the Government of India in the not very distant future. Skill and patience have been needed to steer safely through the shoals of 1921 ; but infinitely greater skill—assisted by the courage that takes large risks—will be needed in future years whenever this question comes to the front.

The Assembly Committee on the Esher Report served another important purpose. The Committee was appointed two or three days before the Assembly embarked on the Budget. Had there been no such committee it is probable that a good deal of the energy expended on its meetings and of the arguments used in its report would have intruded into the Budget debate, and thus would have further increased the burden on the Finance Member during that critical fortnight. It was, therefore, a wise proceeding for the Government to accede to the demand for a committee, though the time of important officials was thereby mortgaged at a very busy period.

The Budget itself was the pivot of the whole Session. It was common knowledge beforehand that the Finance Member could not possibly paint a rosy picture in his first speech to the new Legislature, and, therefore, the generally depressing tenor of the finance of 1921 was considerably discounted in advance. The interest of the Assembly and

The Debates

the public was concentrated on speculation regarding the actual taxes by which the long-foreseen deficit would be bridged. On March 1 Mr. Hailey presented his proposals in a speech which made an excellent impression. It was well conceived for the purpose of presenting a very awkward gift to an Assembly not very willing to receive it. The Budget itself, like the speech, had a political flavour as well as an economic purpose. Mr. Hailey defended it skilfully at every turn in the long debate, but the Budget was, perhaps, its own best defence, since it laid the burden on the shoulders best able to bear it. The present argument however, is concerned more with the parliamentary treatment of Mr. Hailey's finance than with its economic merits. One factor in it is perhaps equally important in both aspects. The proposal to raise the import duties from $7\frac{1}{2}$ per cent. to 11 per cent. is not only a bull-point for Mr. Hailey politically, but is also abundantly justified by those sound economic precepts which are nowhere more cogently set forth than in Alexander Hamilton's famous Report on Manufactures. If Lancashire wishes to understand the fiscal aspect of India's economic problem, she may be recommended to read the whole argument presented by Washington's intrepid Secretary to the Treasury. And it is to be hoped that she will not ignore the strong, though temperate, protests against her attitude made by those who hold an unchallenged title to speak for India. Let her observe, too, that it was a majority largely composed of elected Indian members that prevented the tariff against her from being raised to $12\frac{1}{2}$ per cent. The Finance Member justified the new import duties as instruments of revenue designed to meet part of the deficit of $18\frac{1}{2}$ crores of rupees*; and, as such, it is impossible to resist the conclusion that they are essential. Their protective effect will depend on conditions of international trade which are to-day impossible to forecast. Politically considered, they belong to the category of what may be called

* A "crore" is ten million.

India

autonomous legislation, and must be considered as the necessary consequence of the powers conferred on the Indian Legislature by the new Constitution.

It is an open secret that the Government approached the Budget debate with trepidation. On other difficult subjects which it was compelled to deal with in the Legislature it was more or less master of its own decision. In the case of the Punjab debate, for instance, it had a freedom of choice denied to it in the matter of Finance. Mr. Hailey's department had to deal with inexorable facts, and for him the area of selection was severely limited. In the circumstances, he is to be congratulated on having presented a Budget which, though bearing very hardly on certain sections of the community, distributed the burden with justice. He used the two main instruments of revenue for all they were worth—Income tax and Customs—and had to face but little opposition in respect of them. The increased postal rates were his chief difficulty, while in the background of every finance debate loomed the gigantic figure of military expenditure which the Assembly was not permitted to touch. In spite of all the difficulties, the Finance Minister and the Assembly survived the most critical test of the new era with credit.

On the expenditure side of the Budget each department of Government in turn was subjected to a severe fire of criticism and sometimes had to run the gauntlet of motions to reduce their votes by very substantial amounts. In this respect the Assembly did not appear to have fully understood the usual parliamentary procedure. Members would move reductions in the sums voted to essential departments of Government, amounting to a crore at a time, simply for the purpose of making certain criticisms on its administration. In several cases, no doubt, large reductions were moved with the deliberate purpose of saving money, but only one or two of these even came near being carried. Anxious as the Assembly was to cut down public expenditure, it never lost sight of the main question at

The Debates

stake—viz., the efficiency of Government. Time after time one could see that members were itching to carry sweeping reductions, as was done in the case of the Police vote in the Bengal Legislative Council, but in practically every case when they came face to face with the fact that their action would practically bring the machine of Government to a standstill, they recoiled, and the reduction was defeated. Taken all in all, at the end of a very critical month even the most hostile observer was bound to confess that the worst of his expectations had been defeated, and that the calibre of the Assembly was better than he had expected.

To put it in another way : if the Assembly had been manned by those persons who live in the imagination of certain English noblemen as Indian politicians, there is little doubt that the Budget would have been torn to ribbons, and that either Lord Chelmsford at the eleventh hour of his administration, or Lord Reading in his very first moments, would have been compelled to use the Governor-General's constitutional power of restoring the Budget. If the Assembly had compelled the Viceroy to take action of this kind, the death warrant of the new constitution would have been signed. The result, fortunately, bore no relation to these fears, though no one could have said in advance that the fears themselves were groundless. They have been dispelled because the new constitution has brought a note of reality into Indian politics which hitherto was lacking. Many members of the Government looked forward to the debates of the Assembly with no little anxiety when they realised that they themselves would no longer command a majority. It had become second nature to the official in the former Councils to rely on his block majority, with which, if necessary, he could steam-roller opposition. It was not unnatural, therefore, that he should look forward with alarm to the day when he would find himself face to face with a parliament in which he bore the entire responsibility for Government, and in which he would be face to face with a consti-

India

tutional irresponsible majority. Now, looking back upon the past three months, one has little doubt that among the factors making for our recent parliamentary success has been the removal of this very official block. For the very fact that the elected members were in a majority, and therefore—all constitutional provisions apart—had a very real power in their hands, awakened in them a sense of responsibility which they would never have shown under a less liberal constitution. It would, of course, be easy to pick out many occasions on which the judgment of the Assembly, or of certain groups, was seriously at fault ; but these occasions are not to be taken as the type of parliamentary action that marked the first Session of the Indian Legislature. On the contrary, an observer who has watched the operations of the American House of Representatives and of the French Chamber of Deputies bears witness to the fact that the individual sense of responsibility shown in Delhi was at least as great as that of the politicians in Washington or Paris.

This analogy is perhaps worth pursuing a little further, for, while the Delhi Parliament has no more ardent desire than to mould itself on the House of Commons, the nature of the present Indian Constitution places the Legislature in a position more closely resembling the French and American Chambers than the House of Commons. Though the provisions of the fundamental law of France and America are quite different from the Government of India Act, the political result of all three is to make the Parliamentary Assemblies of the three countries irresponsible in a sense in which that word can never be applied to the House of Commons. The truth is that the Government of India Act, being a measure of transition, has inevitably created an unstable political condition. You cannot long maintain an irremovable executive as part of a Legislature containing an irresponsible majority. You must either detach the executive and place it in the position of the White House, or you must make it removable and thrust

The Debates

the responsibility for its removal on the shoulders of the parliamentary majority. The present period of transition, therefore, must abound with anomalies. Fortunately an anomaly is a bogey which never long disturbs an Englishman's sleep ; and we may look to the continuing operation of the Government of India Act to produce further anomalies, whose only importance will be as signposts marking dangerous turns on the road along which the makers of the final constitution of India must travel.

The sanguine tone which pervades the whole of the foregoing argument is deliberately chosen because it alone can accurately convey the impression of harmony that prevailed in Delhi. There is no doubt that each party surprised the other, since each was more reasonable and amenable than the other had expected. In the relations thus established between official and non-official there is ground for optimism. But no one looking into the future with what Winston Churchill would call " a political eye " can fail to see that neither party can hope to live long on its present laurels. It has been said that the War was a great forcing-house of political opinion and ambition. True ; but the Government of India Act bids fair to outrival even the War in bringing the plant of Indian growth to maturity more rapidly than any one could have guessed. The effect in the Assembly has already been described, and one may hazard the prediction that each successive session of the Legislature will have its own surprises in store. The sense in which the new constitution may truly be described as a forcing-house is that both the actual, and still more the implied, powers which it confers upon the Assembly as an instrument of government are greater than is commonly realised. A dawning sense of the magnitude of these powers is visible in the minds of most members of the Legislature. As it grows it will bring with it rapid—one might almost say revolutionary—developments in the working of all the organs of Indian government. The British public would do well to follow, as closely as may be,

India

the course of events in India in the immediate future ; not allowing itself to be hypnotised or alarmed by sensational appearances, but piercing resolutely to the heart of the matter, which lies not so much in the non-co-operation movement as in the constructive development of Indian politics in the new legislatures. It will not be long before the public has to face the difficult issues presented by the rapid development of the political self-consciousness of India. If it prepares itself, in due time, it need have no cause for alarm either at the rapidity or at the probable character of such developments. The present writer for the moment need not attempt to analyse too closely his own meaning, but those who are aware of the changes now taking place in the Indian body-politic will not be slow to understand that his warning of coming events should be heeded.

III. THE POSITION OF THE MODERATES

THIS account of the Delhi Parliament cannot be brought to a conclusion without some attempt to analyse the position of the Moderates—henceforth to be called “ The Liberals of India ”—in relation to movements outside the narrow parliamentary circle of the capital. Though the present argument is not designed to present any account of social and political movements beyond the immediate scope of the Imperial Indian Legislature, it may be noted in passing that the whole non-co-operation movement is changing under stress of forces which Mr. Gandhi cannot control. On the one hand, the significance of what has been achieved in Delhi cannot long be concealed from the Indian public generally, and in proportion as it becomes known the position of the Moderates will become stronger. On the other hand, the failure of the tactics of non-co-operation in schools, colleges, law courts, and among the title holders, has produced an exasperation in the minds

The Position of the Moderates

of some of Gandhi's more violent lieutenants which may induce them to break away from his control and renounce the vow of non-violence. Such a split in the party of non-co-operation would greatly simplify the whole problem from the Government point of view and could not fail to strengthen the Moderates even though it entailed a period of confusion and disorder, as it probably would. It should be noted, therefore, that the position of the Moderates is much stronger than it was when they were elected last December. It is stronger in two ways: first, as noted above, because the non-co-operation movement is riven with dissension; second, because the Moderates have greater confidence in themselves.

The latter aspect in the situation, in its turn, requires a little further examination. It was only after plucking up their courage to a remarkable degree that many of the Moderates accepted the Montagu-Chelmsford reforms, and pledged themselves to co-operate with Government in carrying them out. Doubts were rife regarding the value of the reforms. There were few, indeed, in the ranks of Indian politicians who could be described as unreservedly enthusiastic about the prospect held out to them. Thus it was that candidates who presented themselves for election last autumn found themselves attacked by their enemies at their most vulnerable spot. They had to face a harassing fire of criticism and to undergo a social boycott of no ordinary severity organised by the non-co-operators. The experience was not to their liking, and, in many cases, came very near undermining their original resolution to support the reform scheme. It was thus in no very sanguine frame of mind that the Indian Legislature assembled in Delhi last February. Members had not been there long, however, before they discovered that they had been far too pusillanimous in their estimate of the value of the reforms. As time passed, they began to understand the meaning of the new constitution, and to discover in it powers the right exercise of which would sooner or later

India

give them a practically decisive influence over the Government. Now, it has been said that influence is not government ; but in the present circumstances of India for a newly-elected member of the Legislative Assembly to discover the extent of his influence is a political revolution almost as significant as would be his appointment to the Governor-General's Council itself. Indeed, it is more significant because the latter appointment would be the arbitrary choice of an irremovable executive, whereas the influence which he can now exercise upon the policy of government is but the legitimate parent of the full powers of self-government to come.

India. April, 1921.

CANADA

I. THE GENERAL SITUATION AND OUTLOOK

THE industrial collapse in Canada has been greater than was expected, and unemployment has been general in all the chief centres. Nor is the recovery as rapid as could be desired. Wages and prices are falling, although there is feeling that retail traders have been unwilling to accept losses which farmers and manufacturers could not evade and thus have prolonged the season of acute depression. The Finance Minister delays the Budget and manifestly is deeply concerned over the general outlook. During the financial year which ended with March the revenue increased \$70,000,000 and expenditure decreased \$323,000,000. There was a surplus of \$40,000,000 over ordinary and capital expenditure, but against this surplus was the railway deficit of \$70,000,000. The public debt grows larger, and now carries an annual interest charge of \$129,000,000, but fortunately three-fourths of the debt is payable in Canada. Excise duties last year produced over \$76,000,000, but the yield from excess business profits taxes fell by \$7,000,000. It is believed that the excess profits taxes will be repealed, but there are wide differences of opinion as to what new taxes should be imposed.

If, as is expected, the Young Tariff Bill is adopted at Washington, very heavy duties will be laid upon animals and food products from Canada. Possibly the action of Congress may compel some readjustment of Canadian duties, but there will be no flavour of retaliation in any

Canada

defensive measure that the Canadian Parliament may enact. It is recognised that Congress has an unquestionable right to make American interests the supreme consideration, and that an equal right to legislate primarily in the interests of Canada resides in the Parliament at Ottawa. But it is not likely that customs duties will be so readjusted as to give any material increase of revenue. The United Farmers and the Liberal Party continue to demand lower duties, and they represent a public sentiment which the Government will not rashly challenge. Boards of Trade, associations of manufacturers, and the financial interests generally seem to favour a turnover tax, but the retail trade is opposed as are also the farmers' organisations, even though it is understood that farmers would be exempted from its operation. It is clear, however, that if the excess profits taxes are repealed the Government will not easily secure the necessary revenue save through an extension of the sales tax or a general turnover tax on commodities and sales of merchandise.

It is doubtful if the Government will adhere to its intention to revise the tariff during the present session of Parliament. If revision should be attempted the session would be so prolonged that Mr. Meighen could not hope to be released from his parliamentary duties in order to attend the Conference of Prime Ministers in London. In the delicate and complex political situation which has developed he would be very reluctant to leave Parliament in session. Mr. Meighen has become as necessary to the Coalition as Sir Robert Borden was, and never, even under his predecessor, was the political outlook so uncertain. There is no reason to think that Canadian ministers have any very definite proposals to submit to the Conference. Probably the Government's chief interest is in the renewal of the Japanese treaty and the bearing of its provisions upon the Dominion and upon Anglo-American relations. The attitude of Canada towards Japan closely resembles that of the United States. The two countries have common problems

Racial and National Dilution

on the Pacific, and feeling along the coast towards Asiatic immigration is as sensitive in the one country as in the other. Moreover, notwithstanding occasional indiscretions in the Press and on the platform, there is a deep and general desire in Canada to co-operate with the United States in international affairs and maintain and strengthen the understanding which the war sanctified between the Republic and the Empire. One cannot think that the time is favourable for final consideration of sea defence or for any comprehensive dealing with constitutional issues. Among Mr. Meighen's opponents there is a curious disposition and a sustained determination to involve him in some "conspiracy" to sacrifice the autonomy of Canada and betray the country into the hands of centralising Imperialists. To his supporters the object seems to be to discredit the Prime Minister in Quebec, where for the time French Nationalism is dormant and which never was a true expression of the sentiment of the Province, and to weaken the force of the attraction which his industrial policy undoubtedly possesses for very many of its workers, farmers, manufacturers and commercial and financial leaders.

II. RACIAL AND NATIONAL DILUTION

IT has long been known with what success our apparatus of immigration has pumped aliens into our open spaces. Things not so well known are the proportion which these newcomers have come to bear to our total population; the extent to which they have affected the life of Eastern Canada; and the resistance which they are beginning to offer to what we call Canadianisation—an ugly but a necessary word. Upon this last-named subject questionings were beginning to arise in our minds before the outbreak of the war drew our attention to it very forcibly; but the questionings were rather weak, for the

Canada

picture in the mind of the ordinary English-speaking Canadian was that of European settlers whose backs were turned for ever upon the Old World and its quarrels, whose eyes were upraised admiringly to that excellent person, the English-speaking Canadian, and whose hopes were in time to become even such men as he ; we still heard of the pathetic eagerness and uncanny quickness of the foreigner to learn English, and of the rapidity with which he became assimilated. Then came the thunderclap of war, and in a flash we perceived that we had several hundred thousand enemy aliens within our borders, cultivating the land, working in our mines and factories, furnishing no small proportion of our rough manual labour, and constituting an important portion of our national economy. They were docile folk, but they were enemy subjects, and at the very best were a deduction from the fighting strength of our total numbers. There was little trouble, and indeed they merit a word of praise for their quietness, but when we entered upon the difficult process of returning to a peace footing we discovered that these enemy aliens did not love us, nor admire us, as much as we had fancied. The Russian Revolution contributed its quota of discomfort, for it added all former subjects of the Tsar to the list of residents in Canada whose mother countries were at odds with the British Commonwealth, and in addition galvanised into intense activity the whole tribe of agitators, who in the first flush of proletarian enthusiasm beheld themselves about to rule the country after the manner of Moscow. In short, we discovered that we have as part of our community great masses of people who do not share our traditions and our loyalties, many of whom are smarting under the consciousness of racial defeat, and who only too often dislike our scheme of social organisation. In a word, our citizenship has been diluted. And this brings us to the question of the volume of this dilution.

We may be very daring and attempt an estimate in advance of the census which soon is to be taken ; in all

Racial and National Dilution

parts of the country there are those whose business it is to be acquainted with those whose mother-tongue is neither English nor French, and it is from opinions expressed by them that the roughly approximate figures which follow have been compiled. Omitting the Maritime Provinces (though the coal-mining and industrial region of Cape Breton affords employment to a certain number of European immigrants) and also those parts of Quebec outside of the Island of Montreal, we have reason to believe that our foreign-born population is distributed thus :—

Montreal	..	..	..	..	..	..	about 120,000
Ontario	..	..	..	..	..	from 400,000 to 450,000	
Manitoba	..	..	..	..	..	..	about 175,000
Saskatchewan	..	..	..	..	..	..	360,000
Alberta	..	..	..	..	..	..	160,000
British Columbia	..	..	..	..	..	..	60,000

Altogether, this makes a grand total of a million and a quarter or a million and a third, or the sufficiently serious proportion of a sixth or a seventh of our total population. This formidable total is split among many races. There are four great groups which may thus be stated :—

Ukrainians (including Galicians, Buko-winiens, etc.)	..	..	..	..	..	from 250,000 to 300,000
Germans (including Russian-Germans and Mennonites)	..	..	..	..	..	,, 175,000 to 200,000
Jews	..	..	..	..	..	,, 125,000 to 150,000
Russians (including Dukhobors)	..	..	..	..	..	,, 100,000 to 125,000

Or altogether from seven hundred thousand to three-quarters of a million.

Four lesser groups are :—

Scandinavians	..	..	..	..	..	from 80,000 to 100,000
Italians	..	..	..	..	..	,, 60,000 to 75,000
Poles	..	..	..	..	..	,, 40,000 to 50,000
Chinese	about 50,000

or altogether perhaps a quarter of a million. Then come six smaller groups—Dutch, Belgians and French, each with

Canada

from 20,000 to 25,000, and Finns, Japanese and Rumanians, each with from 12,000 to 15,000. And there are many others, some of them surprising enough, for who would expect to find in Canada ten or fifteen thousand natives of Asia Minor—Armenians, Assyrians and Turks? If we rearrange these figures, we get four or five hundred thousand Slavs, and two hundred thousand Germans, or perhaps two-thirds of a million who belong to stocks which, as already noted, have quarrels with the British Commonwealth. To these masses we must add the Jews, the majority of whom come from Eastern and Central Europe, and who form an element which for the time being shows little sign of heartily adopting our institutions and points of view.

On the prairies the greater number of these aliens are upon the land, though all the towns have their foreign quarters and the coal-mining industry of Alberta is chiefly worked by them. The foreign farmers often live in more or less segregated settlements, remote from the influences which make for amalgamation with the general body politic, but for the moment they give little anxiety, and may be described as a deferred rather than an immediate problem: for a problem it is to have great stretches of land held by those who do not share the traditions in which the country was founded. Farther East these foreigners greatly help to complicate our new and fast-increasing urban problems. Winnipeg and its immediate vicinity present us with a solid lump of 100,000, of whom 25,000 are Jews and 25,000 Ukrainians. Toronto has from 125,000 to 150,000, the largest element being thirty or forty thousand Jews, and the second largest nearly as many Slavs—Ukrainians, Galicians, Russians and Poles. Of Montreal's quota sixty or seventy thousand are Russian and Rumanian Jews. The smaller towns and industrial districts of Ontario have considerable foreign elements; Hamilton and the group of towns clustering about Windsor each have 30,000 or more, while the Niagara Peninsula (where, in addition to industrial establishments in operation, a canal and great electrical

Racial and National Dilution

works are in process of construction), the Cobalt and Sudbury mining region, the Sault Ste. Marie district, and the head of the lakes (*i.e.* Fort William and Port Arthur), each have ten or twelve thousand; furthermore, in the counties of Wellington and Waterloo, in the heart of the Western Peninsula of Ontario, to a considerable settlement of Canadians of German blood, whose ancestors settled there two or three generations ago, have been added some twenty thousand or more immigrants of actual German birth. Thus the distribution takes the form of more or less compact settlements, and in the towns this tendency persists in intensified form, with the necessary result of national colonies. On the whole, the Jews are least addicted to this, and most inclined to spread into neighbourhoods mainly occupied by ordinary Canadians; but Slavs, Italians, Orientals and others form numerous tightly packed little islands of alien speech, customs and sympathy. Most of these people are labourers, usually unskilled, for, outside of some Germans in Western Ontario and some settlers, largely Finns, in Northern Ontario, few are on the land. Ontario and the West depend to a very large extent for their heavy, rough and unskilled labour upon the men of Central and Eastern Europe, and Quebec is not wholly exempt from such dependence.

Such are the principal statistical facts; what is the temper of these people? On the whole, disturbed and unquiet. Of union among them there is none, the internecine strifes of Europe, racial and religious, having migrated with them, so that Galicians and Poles are at bitter enmity, and Ukrainians are torn apart by Greek Catholics, Greek Orthodox, and a small but diabolically active faction of religion-hating revolutionists. But upon the whole there is abroad a spirit of resurgent nationalism and of resistance to Canadianisation. This ferment is chiefly noticeable among the Ukrainians. To these poor and uneducated people of peasant stock, as to our Russian settlers, has come the spectacle of their own relatives in

Canada

the homeland seizing all control and appropriating all property ; the plains of Central Europe once more are exceedingly interesting to them ; their racial traditions have grown precious. If ever they did turn their backs on Europe and revere Canada, that mood has passed, and we can perceive a distinct tendency to despise this as a backward and Philistine country, where capitalism still holds sway, and whose ideals and culture are behind and below those of the happy realms where the Dictatorship of the Proletariat holds sway. All are not revolutionists ; the revolutionists, indeed, constitute but a minority ; but the wind is in the treetops, and for us the significant thing is that their European nationality and loyalty are rekindled. A curiously interesting phase of this, as example of the subconscious mind of a race in operation, is a species of rude cultural movement which can be seen at work from the St. Lawrence River to the Rocky Mountains—the rising of a Ukrainian vernacular revolutionary drama. In the slums of Montreal, Toronto and Winnipeg, in Edmonton and Saskatoon and Regina, in remote prairie villages, incredibly inept and violent plays are acted, representing the capitalist as the worker of all villainy, vilifying religion, glorifying murder in the name of revolution ; done by amateur actors, they exercise a singularly potent effect upon audiences whose passion for the drama is part of their heritage, and whose æsthetic cultivation we Canadians have grievously neglected. Side by side with this goes a movement to draw Ukrainian children into racial schools, where Ukrainian songs will be taught and the Ukrainian language preserved, and incidentally where propaganda work will be done, sometimes by Greek Catholics, sometimes by Orthodox, sometimes by Bolsheviks, almost always hostile to the learning of English habits and the acquiring of Canadian loyalties. The Ukrainians have been mentioned more at length because of the striking manner in which the musical and dramatic instincts of the people are used in the movement, but they are not the only element which has embarked

The Railway Problem

upon a conscious resistance to the melting-pot ; the Finns are noticeably stubborn in their nationalism, the foreign-language Jews are disposed to aloofness, and, in short, if we wish to weave these people into the warp and woof of our national life, we must resort to conscious effort. At present the situation is that a disturbingly large proportion of our total population dilutes our citizenship, adds nothing to the spiritual meaning of Canadian life, resists incorporation, and yet is necessary in the mechanical work of production.

III. THE RAILWAY PROBLEM

SUDDENLY the railway problem has put all other questions into the background in Canada. As perhaps does not need to be explained, all the railways of the Dominion are now combined in two great national systems. Including second tracks, yard tracks and sidings we have over 53,000 miles of railway. The Dominion, the Provinces, and the municipalities have given cash subsidies to the railways to the huge total of \$275,000,000, guarantees of \$345,000,000, and land grants of 44,000,000 acres. To this must be added cash grants to the Canadian Northern and Grand Trunk Pacific Railways, and an obligation yet to be determined for the acquisition of the Grand Trunk system. The total capitalisation in stock and bonds is \$2,000,000,000, while gross earnings of all Canadian railways in 1919 were \$382,976,901. Between 1899 and 1919, the ratio of operating expenses per train mile increased from 65·4 to 89·3, although the carload was raised from 15·37 tons in 1917 to 23·46 tons in 1919, and the train load from 260 tons to 442 tons. The Canadian Pacific system has a total, owned and controlled, mileage of 18,859, and the Government system a total mileage of 22,230. The private company has over \$830,000,000 in cash invested in its railway property as against \$600,000,000 in outstanding

Canada

securities. The roads which constitute the State system carry liabilities in bonds of \$1,039,462,892, and in stock of \$372,648,071, although what proportion of the stock will constitute an actual liability has yet to be determined. It is estimated that the fixed charges of the State system will exceed \$50,000,000, while in 1919 the gross earnings were \$162,978,066 and the operating expenses \$167,020,217. For the year 1919, the deficit on the system was \$50,000,000; and for last year the receipts fell \$70,000,000 below the expenditures. But these figures do not include interest charges for the National Transcontinental Railway nor for the old Intercolonial system. These roads have not kept their capital accounts as corporate roads are required to do. They show only the original cost of construction, which was \$330,062,719. The interest charges, therefore, would be between \$13,000,000 and \$15,000,000. If this sum is added to the deficit of \$50,000,000 reported for the year ending June 30th, 1919, the total would be \$63,000,000. But even to that high total something must be added. Since the Government was obliged to go to the relief of the Canadian Northern and Grand Trunk Pacific, there have been advances to the Canadian Northern of \$140,145,930, to the Grand Trunk Pacific of \$96,224,651, and to the Grand Trunk of \$49,551,701, or a total of \$285,922,283. Even to this must be added the cost of Canadian Northern common stock, which with interest was \$37,129,433. Advances and stock purchases together give a total of \$323,051,716. The interest would average 5 per cent. or more. It is necessary, therefore, to add between \$16,000,000 and \$17,000,000 to the \$63,000,000, and to admit a total deficit in 1919 of approximately \$80,000,000 under the system of accounting which a private railway must follow, and which must be employed if the true situation is to be disclosed. Indeed, Mr. J. L. Payne, for many years Comptroller of Railway Statistics, but who was superannuated a few weeks ago, finds a total deficit under any proper system of accounting of \$138,000,000.

The Railway Problem

Mr. Payne's figures may be excessive, but it is true that there has always been a degree of evasion and confusion in the accounts of public railways in Canada. The whole problem has been made tremendously difficult by the great increases in wages. In 1910 the total annual payment in salaries and wages to railway employees was \$67,167,793; in 1914, \$111,762,972; in 1918, \$152,274,953; and in 1919, \$208,939,995. For 1920 the total was probably \$250,000,000. In 1910 the ratio of salaries and wages to gross earnings was 38.61 per cent., and in 1919, 54.56 per cent. The hour basis for statistical purposes was not adopted until 1917, and it is, therefore, possible to give exact comparative increases to various classes of railway employees only between 1917 and 1919:—

					1917. Cents.	1919. Cents.
Section men	..	..	..	..	20.6	36.6
Machinists	..	..	..	..	42.2	68.5
Masons and bricklayers	..	..	..	..	35.0	58.5
Carpenters	..	..	..	..	30.4	58.1
Painters	..	..	..	..	29.6	59.7
Electricians	..	..	..	..	32.3	61.3
Car repairers	..	..	..	..	26.3	54.2
Despatchers	..	..	..	..	62.3	95.7
Telegraphers	..	..	..	..	30.8	60.8
Station agents	..	..	..	..	32.2	52.0
Road freight engineers	..	..	..	..	53.8	79.8
Road freight firemen	..	..	..	..	36.4	60.7
Road freight conductors	..	..	..	..	48.3	67.8
Road freight brakemen	..	..	..	..	32.4	53.7
Passenger engineers	..	..	..	..	68.8	101.7
Passenger firemen	..	..	..	..	41.3	76.7
Passenger conductors	..	..	..	..	58.9	79.8

Three awards, all closely associated with government control, explain the remarkable advances in wages in the United States and Canada. In order to avert a strike, on the American roads, Congress under the pressure of President Wilson enacted the Adamson law, establishing an eight-hour day and materially increasing wages. This was

Canada

followed by a second increase while Mr. McAdoo administered the American railways, and by a third award eight months ago which gave a further advance of 21 per cent. or a total increase in wages of \$625,000,000 to the employees of American railways. The Railway Brotherhoods are international organisations, only 8 per cent. of whose members are employed in Canada, but, naturally enough, they insisted that the concessions secured through Washington for American railway workers should apply to the railways of Canada. It is estimated that, as compared with pre-war scales, the wage increases on Canadian railways represent a gross annual payment of \$135,000,000 or \$140,000,000, while comparatively the cost of supplies represents an additional annual expenditure of \$100,000,000. In six years the gross cost of operating Canadian railways has increased by \$240,000,000 or \$250,000,000. It is true that there were rate increases on March 1, 1918, of 15 per cent.; on August 12, 1918, of 25 per cent.; and in 1920 of 40 per cent., with a subsequent reduction. But the significant fact is that the gross earnings of all the railways in 1919 were \$382,976,901, while wages alone for 1919 represented a total charge of nearly \$209,000,000, and for 1920 of probably \$250,000,000 as against \$111,762,972 in 1914.

In Canada, too, as in the United States, the allowances for overtime and other regulations defining and restricting the duties of classes of employees have operated to increase wages. Speaking at Saskatoon a few days ago, Hon. Frank Carvell, Chairman of the Dominion Railway Board, gave figures which showed that on one of the western branches of the national railway system a conductor during the first twelve days of February drew \$289, for a second period \$238, and for the full month \$528. In March this conductor was paid \$598, while for the month brakemen on this section drew \$403 and engineers \$616. In the United States the national agreements between the railway companies and the labour organisations will be terminated on

The Railway Problem

July 1, and doubtless such revision of the contracts as may be effected will extend to Canada. But it is certain that the unions will resist wage reductions, and at best there is little prospect that the wage burden will be greatly reduced.

A serious conflict arose over the slow progress of the arbitration to determine the value of certain Grand Trunk securities. By agreement between the Company and the Government the award of the arbitrators was to be made by April 9. Application to extend the time was refused save on condition that the Grand Trunk system was immediately handed over for operation by the Government. The country has made total advances on account of the Grand Trunk Pacific of \$62,400,000 and on account of the Grand Trunk of \$77,297,000. Of this amount \$47,000,000 represents advances to the Grand Trunk since it was determined to acquire the railway. The situation is thus stated by *The Montreal Gazette*, which has resolutely opposed "public ownership" and which still is unconvinced that satisfactory financial results will follow purchase of the Grand Trunk system :—

The proposal of the Government embodied in the Bill before Parliament is that the shareholders of the Grand Trunk shall at once turn over the property. If immediate possession and control is given, the Government will revive the arbitration to determine what, if any, amount, up to a previously fixed figure, is to be paid the preference and common stockholders of the Grand Trunk. The shareholders, if they consult their own interests, have really no option in the matter. A debt to the Government of \$139,000,000, of which nearly \$74,000,000 has been incurred within two years, is very much more than the shareholders can assume, and default of interest payments implies a receivership. That is about the last thing to be desired. The Grand Trunk has some thirty separate subsidiary companies in the United States, all of which would, in the event of foreclosure proceedings, fall into the hands of as many receivers, and a pretty mess would be made of the system. Canadian Government ownership of 2,000 miles of railway in the United States is not without its perils, but these can be faced with greater equanimity than thirty receiverships. There is but one alternative, apparently, to the incorporation of the Grand Trunk in the National system, and it is, in the words of Hon. Mr. Meighen, "the dissipation and disinte-

Canada

gration" of the road. That no one desires, and only pernicious obstinacy can cause the shareholders to refuse the condition laid down by the Government. If they believe that by putting up the property to sale the proprietors will realise more than by acceptance of the offer embodied in a Canadian statute, they will display an infinite lack of astuteness and a remarkable credulity, and we conclude that before another month has passed the Grand Trunk will be in control of a Government nominated directorate, and the arbitration proceedings will have been resumed.

The position of the Government is that until the Grand Trunk is actually acquired by the country it is impossible to co-ordinate the National Railway services, reduce duplication in terminals and mileage under operation, and effect the economies which may be possible under a unified system. There is no doubt the Government also suspected that the Committee of Management which has been operating the Grand Trunk was not anxious to expedite the arbitration and cherished the hope that a general election would be precipitated, the Meighen Government defeated, and an Administration opposed to railway nationalisation come into power at Ottawa. For this suspicion there may have been no justification, but unquestionably the necessity for heavy advances to the Grand Trunk and the leisurely progress of the arbitration created an atmosphere of distrust and led to summary and peremptory action by the Government. There is some feeling in Canada that British criticism of the Government has not been generous, nor just, nor very intelligent. It is not regarded as reasonable that the Government should take over the unproductive Grand Trunk Pacific and leave the more productive Grand Trunk in older Canada in the hands of a company which absolutely could not carry its Western extensions. There is resentment that confiscation should be suggested when it is believed that the shareholders of the Grand Trunk have been protected by the Government against a receivership. Finally, through overbuilding, for which the Grand Trunk has some responsibility and which the whole country sanctioned in a season of extreme optimism, the Government

American Influences in the Dominion

is involved in a railway situation which compels heroic action to reduce deficits and steady public opinion. It is believed there will be a radical reorganisation of the National Railways, but there is no hope that deficits can be overcome in the immediate future. Indeed, there is danger that they may continue until the people grow weary of public operation of railways. On the other hand, a time may come when a great system of railways built with cheap money may be a very valuable national asset.

IV. AMERICAN INFLUENCES IN THE DOMINION

VOICES have lately been raised in Canada deplored what is described as the "Americanisation" of the country. The flooding of Canadian bookstalls with United States magazines and novels, the capture of the Canadian moving-picture palaces by United States films, the dependence of Canadian newspapers on United States sources of information—these are perhaps the most obvious features of the process. But they are not the only features. There are some American influences at work in Canada to-day which are so subtle and profound that Canadians themselves are scarcely aware of them. Not only do the majority of Canadians know their slang and their spelling from the United States, but they know also, to a large extent, their ideas in education, in social and moral reform, and even in politics. More and more every day Canadian schools and universities tend to approximate to the type south of the line. The latest American fads in social legislation are being continually adopted, in the most slavish and uncritical way, often just about the time the Americans have begun to discard them ; and the influence of American ideas of government on the political philosophy of the average Canadian—not only in federal and provincial politics, but even more remarkably in municipal politics—is a subject on which a whole book might be written.

Canada

Nearly every movement of opinion in the great Republic, no matter how wild and heretical, has had an echo in Canada ; and often it would seem that the wilder and more heretical the opinion, the louder the echo.

The extent to which the boundary line between Canada and the United States is ignored is, one feels sure, not generally realised. The railways of the two countries are so closely interlocked that they constitute virtually one system ; and a wages award by the United States Railway Board, for instance, is almost automatically binding on the Canadian Government Railways. A large number of the Canadian labour unions are international, and take their orders from south of the line. The larger Canadian cities have teams to which they lend their names in the baseball leagues of the northern States. Hundreds of organisations, in fact, from professional associations like the United Typothetae of America and the American Library Association to social institutions such as the Rotary Club and the Greek Letter fraternities, are continent-wide, and frankly treat the boundary line as non-existent. This international comity and inter-relation has without doubt a very admirable side, for it is one of the things which make a repetition of the war of 1812 unthinkable. But, as a recent writer in the *Canadian Historical Review* has pointed out, it "tends to make of Canada nine more states not yet brought formally under the control of Washington."

The truth is that the creation and preservation of the Dominion of Canada has been a victory over geography. From the standpoint of the geographer, Canada is to-day a loosely articulated series of four distinct areas. The Maritime Provinces are cut off from Central Canada (Ontario and Quebec) by the wilderness of northern New Brunswick and by the State of Maine ; Central Canada is cut off from the Prairie Provinces by vast stretches of barren land north of Lake Superior ; and the Prairie Provinces are cut off from British Columbia by the barrier of the Rockies. Each of these four geographical units,

American Influences in the Dominion

moreover, is (humanly speaking) nearer and easier of access to the adjacent parts of the United States than to the adjacent parts of Canada. The natural market of the Maritime Provinces is in New England ; Ontario—which gets from Pennsylvania the coal that keeps its factories going—is nearer to New York than it is to either Halifax or Winnipeg ; the Canadian prairies are divided from the Western States by nothing more formidable than a parallel of latitude ; and Vancouver is only next door to Seattle. National unity in Canada has been the result, not of geography, but of something that has transcended geography.

Reviewing all these facts, one might be tempted to conclude, as Goldwin Smith concluded, that Canada's "manifest destiny" is political, or at any rate commercial, union with the United States. The facts of geography are stubborn facts ; and the attempt of Canada to ignore them would seem, in view of the tendencies noted above, and also in view of the débâcle which is threatened in connection with Canada's transcontinental railway policy, a very dubious success. It might seem the part of wisdom for Canada to "accept the inevitable," to admit that Confederation has been a failure, and to work along the line of least resistance by allowing itself to be absorbed by the great neighbour to the south.

Such a view, however, would fail to take into account a number of factors in the situation to which the greatest importance must be assigned.

In the first place, it must never be forgotten that there are in Canada to-day between two and three millions of French Canadians—from one-fourth to one-third of the total population of the country. Most of them are to be found in the province of Quebec ; but they are to be found also, sometimes in considerable numbers, in almost all the other provinces, and their influence in some of these is far from negligible. They are not, and never will be, imperialists ; but they are, on the whole, loyal and faithful subjects of the Crown, and they are even less likely to

Canada

become annexationist than imperialist in sentiment. Probably there is no element in the population of Canada less susceptible to American influences than they. Under the British flag they have enjoyed certain rights and guarantees ; they have been able to preserve their national identity. Under the stars and stripes they know that they would lose this identity, as the French of Louisiana have lost it. "They would simply be engulfed," as one of them has recently said, "in the great American whirlpool ; they would be drowned, and would disappear entirely, and for ever, in that deadly maelstrom." On the double fact that the French Canadians are impervious to American influences, and at the same time irreconcilable to the very idea of annexation, now or hereafter, lies perhaps the secret of the future of Canada.

A second consideration is the fact that the original English-speaking population of Canada was almost wholly United Empire Loyalist. That a disastrous family quarrel which took place a century and a half ago should have left behind it in Canada an aftermath of bitterness and hatred may be regrettable, but it cannot be denied. Even among people in Canada who appear to be most open to American influences there is often a strong current of hostility to the United States. It is the United Empire Loyalist tradition. Some day, perhaps, this tradition may die down. But for the present there is no possibility of the idea of annexation gaining any foothold among even the English-speaking population of Canada ; and, such is the tenacity of the tradition, it may be doubted whether the idea of separation from the Empire will ever be realised except, as Sir Francis Hincks once said, "as the result of civil war, a calamity so fearful that it will not be hazarded."

Lastly, sight should never be lost of the fact that there has grown up in Canada within the last half-century a distinctive national spirit—a spirit not French-Canadian, or British-Canadian, but all-Canadian. This spirit is still young, but it is still growing. It grew even during the

American Influences in the Dominion

period of the late war. "Nationality," as Mr. Zimmern has said, "means more to a Jew and an Armenian (probably the two oldest surviving forms of national consciousness) than to a Canadian; but, to quote a famous phrase, it means more to be a Canadian to-day than it did before the second battle of Ypres." This national spirit has within it nothing inherently inimical to the supernationalism of the British Empire, with its amazing varieties of national life; but it is, to speak frankly, incompatible with the exclusive nationalism of the United States. A nation which leapt instantly to arms in 1914, and which enrolled itself at the outset in the Society of Nations formed in 1919, is obviously actuated by ideals at variance with those of a nation which did neither. Indeed, as Lord Durham pointed out over eighty years ago, the growth of a strong national feeling in Canada is the surest means of safeguarding the Imperial tie, and of counterbalancing such tendencies as exist toward separation or annexation to the United States. After describing the American influences at work in Canada at that time, Durham—in a passage of his famous Report to which far too little attention has hitherto been paid—expressed himself as follows:—

If we wish to prevent the extension of this (American) influence, it can only be done by raising up for the North American colonist some nationality of his own; by elevating these small and unimportant communities into a society having some objects of a national importance; and by thus giving their inhabitants a country which they will be unwilling to see absorbed even into one more powerful.

In nothing, perhaps—not even in his advocacy of parliamentary government in the colonies—was Lord Durham's wisdom and foresight more abundantly revealed than in this passage. Confederation, when it came, gave birth to Canadian national feeling; and this feeling makes political union with the United States an impossibility.

Canada. April, 1921.

AUSTRALIA

I. THE IMPERIAL CONFERENCE

THE Imperial Conference to be held in June of this year will give a greatly needed opportunity to the Statesmen of the Empire to review the changes which have been wrought by the War and the Peace. During the last six years the waging of war and making of peace have not allowed much time for reflection. Yet during that period great changes are said to have taken place in the relations of the constituent members of the British Commonwealth. There is, however, no agreement as to what these changes are. We fought the War under a well established régime in which the practical freedom of the Dominions was combined with a single diplomatic front. The legal supremacy of the British Parliament was also an important though unobtrusive factor. This machinery worked satisfactorily during the war. It is now said that we have scrapped it. There was no mandate for any revolutionary change. If a change has been made in our relations with foreign nations it will certainly be necessary to readjust the internal machinery of the British Commonwealth. The capital functions of the Conference of 1921, if it is allowed to perform them, will be to review the position and determine the necessary reactions to the new order.

We express some doubt about the prospect because the Imperial Conference has always been too much of a State function. Compliments are passed. Patriotism is rampant. There is too little plain speaking. There is a remarkable

The Imperial Conference

unanimity about non-essentials. Few vital matters are allowed to be pressed to a conclusion. If a Conference broke up in disagreement one would feel that some respect was being paid to it. If eggs were broken omelettes might result. As it is there is always a distinct tendency to avoid the discussion of questions which are fundamental.

The Conference of 1921 will be attended in the main by the men who met at Paris. They will be called upon to review in a calm moment what they did in the flush of victory. Unfortunately, the representative of Great Britain will be different. It is assumed that Mr. Lloyd George, Prime Minister of Great Britain, will preside. But the actual management of the Conference will devolve upon the Secretary of State for the Colonies. In this office a change has recently taken place for reasons which are not clear to Australians. Lord Milner, an ardent Imperialist, has advocated Imperial Federation as the best method of organisation, and on account of this he has always been regarded by a certain class of politician in the Dominions as the head of the "Downing Street Conspiracy" to deprive the Dominions of autonomy. The absurdity of this suspicion is shown by recent events. At Paris he witnessed silently and unprotestingly the rapid advances made by the Dominions in their status. Later he was responsible for the report which recommended that a high degree of independence be given to Egypt.

Australians have been left to speculate as to the reason for the Ministerial reorganisation which has given them Mr. Winston Churchill as head of the Department responsible for Dominion affairs. It is popularly supposed in Australia that he opposes the Milner withdrawal policy for Egypt and would be in favour of a constructive policy there. Some speculation exists as to what his attitude towards Imperial questions will be at the Conference. The valedictory speech of Lord Milner conflicts remarkably with the remarks with which Mr. Churchill inaugurated his régime. Apparently the Imperialism which is to be

Australia

applied to the Egyptian problem is to be applied to the questions of the whole Empire. We cannot help regarding the prospect with some apprehension. The present is not the time for a Napoleonic stroke or a Bismarckian piece of Empire building. That, however, is not to say that the Statesmen of Great Britain are to be mere onlookers waiting upon Dominion action. A reorganisation of the British Commonwealth must be voluntary and spontaneous. But it is sometimes overlooked that Great Britain is a part of the British Commonwealth and that no reorganisation is possible without her assent. It would have been natural that British Statesmen should take the lead in submitting definite proposals to clear up the present indefinite situation. If Lord Milner's policy be followed this will not happen. Britain will wait for Dominion representatives to make suggestions. There are many Australians who consider this policy unfortunate. They feel strongly that Britain would not discharge her responsibility if her representatives did not point out to the Dominions the implications of the policy they are pursuing. With regard to this, however, Lord Milner and other Statesmen have had reason to realise the force of the suspicions with which any suggestions they have made have been received. The Downing Street conspiracy against Dominion autonomy, though a false legend, is not exorcised from the minds of some Dominion politicians. Moreover, if the Dominions are autonomous States within the Empire, there is an immediate duty upon them to formulate plans which shall express both the autonomy and the membership of the Imperial Commonwealth and shall dissipate the doubts which attach to both. So long as the responsibility for Empire policy is left entirely to Great Britain the Dominions will never realise the hard facts of International life. In proportion as they realise from experience the difficulties involved in these facts, they will seek a solution in Imperial unity. In fact, the Dominions can only discharge the responsibilities which are involved in autonomy

The Imperial Conference

by voluntarily seeking a common Empire organisation in which the resources of the whole Empire are made available whenever danger threatens any part.

The responsibility is really mutual. But Great Britain alone is able to explain fully the difficulties of the present situation and the consequences which may result from it. Her representatives must state candidly whether Britain is willing to discharge all liabilities which may be incurred by a Dominion acting on its own responsibility.

On the other hand the Dominions suffer most by isolation from Great Britain, and the responsibility really is on them to say whether the present organisation protects them. If Australia does not suggest something to correct the separatist tendency apparent during the Peace Treaty period, most thinking people in Australia will think that Mr. Hughes has failed to discharge his responsibilities. What would be disastrous would be for Mr. Winston Churchill to open the Conference with some large far-reaching scheme. This would stimulate suspicion and resistance in some of the Dominion statesmen and at the same time apparently remove the responsibility from their shoulders.

The provisions of the Peace Treaty which affect Dominion status mark the first fruits of Dominion responsibility, and it is because it is realised that the work done at Paris was hurried and partial that the work of the 1921 Conference should be to review it and supplement it. At Paris the Dominions were given their head. They arrived at a certain status and undertook certain obligations which were at the time spoken of as a triumphant emancipation. The time has arrived to try out and weigh up what was done at Paris.

It would be a great mistake for those who cherish hopes for the British Commonwealth to become alarmed at the changes in Imperial relations which are embodied in the Peace Treaty and the Covenant of the League. Certain developments were inevitable after the War. The War

Australia

demonstrated the spiritual unity of the Commonwealth. The people of the Commonwealth have never been consulted about and have never approved any breach in this spiritual unity. The whole issue is whether the steps taken at Paris represent a statesmanlike, rational and practical expression of the spiritual principles which comprise the idea of the Commonwealth. Those at Paris worked under great difficulties. The men who were intoxicated by victory were overweighted by serious work. Did they work wisely? Will their devices serve? Is it necessary to review this part of the Peace Settlement?

The changes in Imperial relations which have been taken since the Armistice cannot be expressed in any definite terms. They can only be asserted as inferences drawn from the actions of the parties—actions themselves imperfectly known at any rate in Australia. The Dominions were made full members of the Peace Conference and enjoyed (or suffered) full diplomatic contact with foreign plenipotentiaries. This was the first step. In the signature of the Peace Treaty each Dominion representative is shown as advising the King to assent to the Treaty in the same way as the King's British Ministers. This was the second step. Lastly in the Covenant of the League of Nations each Dominion is set out as an independent power and undertakes individually the obligations which membership involves.

In the circumstances which existed at Paris the first step cannot be regarded as other than an advantage. The creation of the British Empire Delegation was the supreme triumph for the British Commonwealth at Paris. This body enabled Dominion delegates to envisage their responsibilities, and participate in the vast work of the Peace in association with the British representatives and staff. In the Delegation all the great matters of Imperial concern were discussed in common. The work was parcelled out to all and the unity of the whole effect was preserved. No member of the Delegation could communicate formally

The Imperial Conference

to foreign representatives except through the official head of the Delegation. It is a thousand pities that the British Empire Delegation could not have developed in some way into a permanent organ of the British Commonwealth.

The second step, the separate signature of the Peace Treaty, does not necessarily involve any change in Imperial relations. The parties to the Treaty were carefully set out. A new entity, the British Empire, is named as a party to the Treaty. The King's British Ministers advise him to assent on behalf *inter alia* of the British Dominions beyond the Seas, while the Ministers of those Dominions also advise him in the same way. Here the unity of the Empire is definitely affirmed. But the comments of some of the Dominion Ministers upon this phase of the treaty are very disturbing. Reading the remarks of Sir Robert Borden and Mr. A. L. Sifton and General Smuts one can hardly see how the constitution of the British Commonwealth differs from a merely personal union like that which so long existed between Great Britain and Hanover. If this be so a very definite breach has been made in the unity of the Empire. The union in this case is neither material nor spiritual. It is only nominal, a mere fiction. Nor will it work. For the first time that the King receives contradictory advice, the system breaks down and the fictitious character of the union is demonstrated. The important question is whether if one part of the Empire is at war the rest are so automatically. This is most urgent for a country like Australia which is dependent for its protection on the British fleet. The disadvantage of being dragged into a European War is less than the advantage of the recognition by England of the responsibility for her defence. According to the Canadian view a Canadian Minister might advise war against the advice of British Ministers, but if Canada went to war the whole Empire would be involved. This is unthinkable. General Smuts would go farther and let each Dominion conduct entirely separate diplomacy. The last vestige of the

Australia

authority of the British Cabinet and the British Parliament is gone. Such a view is not in accord with Australian opinion.

Australians have willingly accepted the decisions of the British Cabinet as to Peace and War and would probably continue to do so. It might meet their wishes if some machinery could be devised by which they could be kept in touch with the trend of British relations with the outside world, and could receive information on which an intelligent public opinion might form itself. On the other hand they should have an opportunity of bringing their needs before the British Cabinet and Parliament. For this permanent consultation a competent staff and foreign relations Committees in the British and Dominion Parliaments seem necessary.

The independent membership of the League of Nations which the Dominions assume is of the utmost importance, even if the League fails to justify its existence. For it throws light on the status that the Dominions wish to adopt towards the world at large. Sir Robert Borden, before he signed the covenant, obtained an assurance that Canada stood in the League in precisely the same position as any other power and was eligible for a seat on the Council of the League notwithstanding that Great Britain was also a member. The strong insistence by Sir Robert Borden on absolute independence on the League is curious and shows a strange lack of appreciation of realities. Independent membership of the League cannot assist a Dominion in any cause it has at heart. An isolated Dominion will be about as unimportant on the League as a small South American State of 5,000,000 inhabitants. The influence of Great Britain in the Council of the League is as great an asset to a Dominion under the League regime as its fleet under the old regime. The feature of the League which Sir Robert Borden seems to have failed to appreciate is its obligations and guarantees. Canada, by joining the League, undertook what America, with its vast resources,

The Imperial Conference

personal and material, baulked at. Was Canada wise or the U.S.A. timid? General Smuts had the theory that the British Empire was accepted as a League within a League, and that a Dominion could vote as an independent member and still retain its common organisation with the parent member. This cannot be accepted as a feasible or statesmanlike proposition. The essence of the League Covenant is that the power that signs it will back its vote with all its influence. If the Dominions vote separately but preserve their common organisation with Great Britain, their votes are mere shams. They cannot enforce them against a member of the British Commonwealth. This is shown clearly by what has taken place. Separate voting for the Dominions was one out of several causes of the rejection of the League by U.S.A. This most logical objection produced its impression on English statesmen, and when the Empire delegates went to Geneva they went as isolated units. That most successful co-operative unit, the B.E.D., was not resumed. In deference to the anticipated objections all associations at Geneva are said to have been dropped. It is understood, however, that before departing from London the British delegates had a close conference as to the policy to be adopted there. There is no warrant in the covenant for the idea of the British League within the general League. It is inconsistent with its spirit, and it has been already proved that it will not work. What is really needed is the acceptance by the Dominions of a limited membership of the League not involving a separate vote. The organisation of the British Empire delegates should be made permanent. The Dominions should have permanent members on its staff, and it should be made the vehicle for consultation on Imperial Problems. Through it and the League the relations of the Empire to the outside world should be controlled.

If the suggestion outlined above were adopted a statesmanlike solution of the difficult problem of Imperial

Australia

relations would be found—a solution which would allow free play to the principle of Dominion autonomy and yet preserve unity. This would permit also of a solution of the question of Imperial Defence. On no subject is frank speaking more necessary than on this one. The share taken by the Dominions is too small compared with their wealth, prospects and needs. The danger of the situation is lest Britain should undertake more in the altered circumstances than she can bear. Any arrangement which was not based upon realities might break down in a crisis and leave us without proper provision. A Ministry in England unaccustomed to Imperial responsibilities might sacrifice the Defence needs of the Empire. Besides, experience of the burden of Empire will induce a more lively sense of responsibility in the Dominions.

An extraordinary feature about the situation in Australia is that Mr. Hughes has never yet taken the people of Australia into his confidence as to the Imperial issue. He never fully informed them as to the changes made at Paris. He has given no information as to the policy he will pursue in London in June. Senator Millen, who has just arrived from the League of Nations' meeting, displays a similar reticence. Parliament will meet in about a fortnight, and a very strong demand is being made that this secrecy shall be abandoned and a full statement of the Ministerial policy given to the people.

The one matter of outside relations which will be discussed at the Conference is the renewal of the Japanese Alliance. There is a quite unwarranted feeling abroad that because Australian policy runs counter to that of Japan the Alliance should necessarily be terminated. It would certainly be very wrong and exceedingly dangerous to enter into a treaty in which this question is buried and which is thus a mere sham. But the Australian policy is not aimed at Japan. Properly understood, it involves no dishonour to Japan; our policy is reciprocated in every way by Japanese legislation. Japan is interested more in the

The Financial Position in Australia

Asiatic continent than in Australia. On the other hand, it must not be forgotten that a policy of injustice and exploitation in Asia will not be beneficial to Australia in the long run, and also that the friendship of America is more valuable to Australia and the Empire than the contractual amity of Japan. The diplomats who have the matter in hand must be able to judge whether a statesmanlike and advantageous bargain can be struck. Every project which limits armaments in the Pacific must be of advantage to Australia, and if the Treaty is used to this end it may be of inestimable value to us.

II. THE FINANCIAL POSITION IN AUSTRALIA

IN THE ROUND TABLE for December, 1920, ten resolutions proposed by the Commission on Public Finance, and adopted unanimously by the recent International Financial Conference at Brussels are published. At this Conference summoned by the League of Nations, thirty-nine countries were represented by eighty-six financial experts. The conclusions arrived at by such an authoritative body demand the closest attention of everyone responsible for the conduct of government, and, indeed, of all citizens who take an intelligent interest in the economic problems awaiting solution in every civilised country.

In this article it is proposed to review the financial situation in Australia in the light of the principles laid down in these resolutions.

At the outset it may be useful briefly to summarise them as follows :—

1. Economy in Government Expenditure and the return to sound financial methods in meeting present and future obligations.
2. Economy in private expenditure.
3. Increase of production as a condition precedent to reduction of prices and the restoration of prosperity.
4. The co-operation of all classes in effort and sacrifice to enable

Australia

Government to give effect to the principles laid down in the Resolutions.

It is a principle of sound finance that individuals and governments must actually pay their way, not merely adopt the Micawber method of an I.O.U. Unhappily in Australia we have seen both Federal and State Governments adopt the latter method. Two rather glaring instances may be quoted: Yielding to electioneering influences, the Commonwealth Government secured the passage of an Act in April, 1920, authorising the issue of War Gratuity Bonds to returned soldiers. Having regard to the financial position, there was no justification for the promise given by the Prime Minister to bestow these gratuities. It will ultimately cost the community about thirty million pounds when the bonds mature on or before May, 1924, and in the meantime they serve to inflate credit by an increase of artificial purchasing power, and thus add to the difficulties of the financial situation.

The other instance is the electioneering promise made by Mr. Storey, the present Premier of New South Wales, to pay to farmers an instalment of 2s. 6d. a bushel against their wheat deliveries in addition to the 5s. guaranteed by the Federal Government. When Mr. Storey came into office with this undertaking to face, he discovered that there was no money in the Treasury, and so far he has failed to induce the banks to finance the scheme. It has been publicly announced that the Government will pay the farmers in cash if it can get it, or if not, in bonds. These bonds would amount to between five million and six million pounds, and the intention, no doubt, is to redeem them when the whole of the wheat is actually sold. The Government's action was highly speculative, as there was then no certainty that future sales would justify the additional guarantee.

Both these instances indicate either ignorance of the fact that to increase artificially the purchasing power of the people adds to the cost of commodities and the high cost of

The Financial Position in Australia

living, or else an indifference to the fact that unsound methods of public finance in the long run react disastrously on the whole community.

Both Federal and State Governments have to face a burden of debt which should not be added to without ample justification. The Commonwealth Public Debt at December 31 last amounted (in round numbers) to £406,800,000 and the State Debts at June 30 last to £421,400,000. From the total of £828,200,000 must be deducted £40,300,000 of debts appearing in both statements, thus leaving a balance of £787,900,000, representing approximately Australia's indebtedness at the present time. Of this amount £357,600,000 is owing in London and £430,300,000 in Australia. No less than £377,700,000 of the public debt is due to the war, and the interest bill on this portion amounts to £18,531,000 per annum. The annual interest on the whole public debt is £15,285,000 payable in London and £19,909,000 payable in Australia.

As the total population of Australia is only about 5,300,000, it will be seen that the public debt represents, roughly, £150 per head. Against this, however, must be set the public ownership of railways, telegraph, telephones and other public reproductive services representing a total cost of about £340,000,000. In other words, about 80 per cent. of the public debt (exclusive of war loans) is represented by actual revenue-producing assets. This is a most important fact, never to be lost sight of in any consideration of Australian finance, and one which, as far as outside creditors are concerned, places Australia's public security on a more favourable basis than that of most other countries. The tendency of recent years has been to extend the functions of government into the industrial arena, but most of the State undertakings have proved unprofitable. It should be the duty of those who administer public affairs so to readjust the expenditure on these government enterprises that, at the very least, they shall pay their way and cease to be a burden on the taxpayer.

Australia

The financing of the War has created the extraordinary delusion that there is some unseen reservoir of wealth from which the whole Community may satisfy its wants with a minimum of effort, and the idea has been sedulously cultivated by some of our political leaders that, in some mysterious way, the "capitalistic system" is responsible for the high cost of living and all the other post-war ills. All sorts of panaceas are advocated, nationalisation, guild socialism, communism and the like. Whatever the particular means may be, the end is always the abolition of the capitalistic system. It seems necessary, therefore, to keep on repeating the most elementary economic truths. The Brussels resolutions emphasise the fact that "the restoration of prosperity is dependent on the increase of production." It is obvious that the community cannot have for its use more wealth than it produces. Production is the source of all wages, interest, replacement of capital, and, of course, of all public and private expenditure. The first step, therefore, towards economic health is greater production, at a remunerative cost. The loss of the productive services of the men killed in the war and of those who are permanently injured and are now a charge upon the community must be made good by better organisation and more effective co-operation. The great primary industries of Australia are the backbone of its prosperity. Yet here, as in other countries, the movement of population in recent years has been steadily towards cities and away from rural occupations. Not until the pendulum swings back again, and people are attracted in large numbers to the country, will the community be relieved of increasingly difficult social and industrial problems. Meantime the production of primary commodities is on a diminishing scale, but the increased prices realised for them have served to conceal the fact. Partly, no doubt, this falling off in primary production is due to drought, which periodically affects Australia. But, on the other hand, the recovery of the pastoral and agricultural industries from drought influences is

The Financial Position in Australia

almost phenomenal. For example, the loss of stock and the failure of crops in 1919-20 which were very heavy in some of the States, were followed by the splendid seasons of 1920-21, resulting in a partial recovery of stock losses and a wheat harvest estimated at 146,000,000 bushels. It would not be an exaggeration to say that the increased prices realised by our exports during and since the war have been the financial salvation of Australia. In wool alone the increase has been enormous, as the following figures of Australian wool production indicate :—

Year.	Weight in Lbs.	Gross Value.
1913-14	632,297,000	£22,672,000
1914-15	569,775,000	14,896,000
1915-16	463,750,000	22,187,000
1916-17	547,972,000	33,548,000
1917-18	616,953,000	42,902,000
1918-19	652,097,000	45,515,000
1919-20	647,052,000	46,138,000

The average value of a bale of wool was :—

£12 15s. 7d. in 1914-15.
£21 12s. 8d. in 1916-17.
£22 15s. 7d. in 1919-20.

For Australian mutton the increased prices realised abroad are even more striking. Weddel's chart of the Smithfield Frozen Meat market shows that in 1900 the price was 3½d., in 1914 it was only 4½d., in 1916 it had risen to 8½d., and in 1918 to 1s. 1d. per lb. As against these high prices for our primary products we had to pay largely increased prices for everything we imported. Still, the balance of trade was increasingly in favour of Australia up to the end of June, 1920, as shown in the figures set out in the note.*

* Year.	Imports.	Exports.	Excess of Exports.
1913	£79,749,000	£78,571,000	£1,178,000
1918-19	102,335,000	113,963,000	11,628,000
1919-20	98,591,000	148,573,000	49,982,000
AAA	689		

Australia

The figures for 1918-19 are affected by a large amount of gold sent to Australia from India and elsewhere for minting, and returned in the form of sovereigns. After eliminating all specie and bullion figures the excess of merchandise exports over imports is £9,500,000 for 1918-19 and £44,600,000 for 1919-20. After June, 1920, the position was seriously changed. British and American manufacturers found the European and South American markets closed to them owing to adverse exchanges, and they rushed all outstanding orders in Australia. The imports for the six months ended December 31, 1920, rose to £87,691,000, while the exports were only £61,461,000, leaving an adverse balance of £26,230,000. In addition to this balance there were what are known as "invisible imports" (such as interest, freight, and the like) to be paid for abroad. The result was that the available funds held in London by most of the Australian banks became exhausted. The banks were thereupon forced to restrict oversea credits, and this action led to importers being compelled to realise on their stocks and to reduce prices. These conditions must continue at all events until Australian wool, wheat and other exports are sold and the payments received in London. But it is to be hoped that even after the London situation has become easier, the banks will continue to exercise prudent restrictions on the issue of credits for purchases abroad.

With all the added wealth which came from the increased values of its products, Australia might easily have covered a much larger proportion of its war expenditure out of revenue and less out of loans than was actually the case. One effect, perhaps, would have been to make thrift much more general than it has become. Neither in public nor private life is it recognised as it should be that saving—that is, wisely controlled spending—is essential to financial restoration.

We have seen that Australia gained by the increased prices for its primary products sold abroad, and that this

The Financial Position in Australia

higher return disguised the lessened production. It is estimated that the value of our total production in 1911 was £188,595,000, in 1913 £218,103,000, and in 1918 £298,669,000, but that after eliminating the effect due to rising prices, "productive activity" in 1918 was only about three-fourths of what it was in 1913. With the fall in prices, which has already begun, Australia will feel the effects of such a reduction in its productive activity. It will become almost impossible to continue the present rate of public and private expenditure. Taxation, both Federal and State, has increased to an extent never before thought possible, and although it may still be less per head than in most older countries, it is heavy enough for a country needing extensive development, and which in future must depend mainly upon its own financial resources.

Since the war the Federal Parliament has imposed additional direct taxation amounting to five millions in 1915-16, and to nearly nineteen millions in 1919-20. The additional income tax alone yielded about thirteen millions. The States also have increased their income taxes and other forms of direct taxation. Falling prices for Australian products abroad will result in diminished incomes, even allowing for a fall in the cost of goods imported, and consequently the incomes of Governments will likewise be reduced. There is no evidence yet that either Commonwealth or State Governments have begun seriously to face the position. For the financial year ended June 30, 1920, three State Governments showed slight surpluses, while New South Wales, Western Australia and Tasmania revealed deficits amounting altogether to over two million pounds. Then again the question of sinking funds to redeem unproductive Federal and State debts awaits solution, and as these can only be set up out of actual surpluses, they provide a further reason for observing the greatest economy. Besides this obligation to redeem, Australia has to face an increasingly heavy interest bill on all renewals of public and private loans. In 1921 and the

Australia

four following years, there are State loans amounting to over £162,000,000 falling due which will certainly not be renewed at anything like the original low rates of interest. On all grounds, therefore, it becomes of supreme importance to Australia that the principle of Government and private restrictions of expenditure, laid down in the resolutions above mentioned, shall be literally obeyed.

It is only out of real savings that taxation can be paid, production increased, and the burden of debt gradually got rid of. And people who are practising economy in their private expenditure ought surely to insist upon similar economy in their public affairs.

That a large section of the public do actually save, notwithstanding the high cost of living and the far too numerous strikes, is shown by the fact that the interest-bearing deposits in Australia trading and saving banks rose from £177,219,000 (or £36 per head of population) in 1914, to £268,457,000 (or £50 11s. per head) in 1920. Within the same period, however, the index number of wholesale prices increased by nearly 120 per cent. It would thus appear that the effective savings of the people measured by the present purchasing power of money were much less than the deposits indicate, although the position will improve when prices fall.

Unlike France and Belgium in particular, Australia has not had to make good the material wastage of war, and the consequential deterioration of fixed capital. To that extent, therefore, its task is easier than theirs. And the inflation of currency which has been so pronounced in many other countries has not occurred to any appreciable extent in Australia. Indeed, whatever tendency there may have been towards such currency inflation will now be checked by the recent legislation which has handed over the issue of notes to the Commonwealth Bank acting under the authority of a special non-political board of directors, who will control this department. The Note Act required a gold coin reserve of not less than one-fourth of the amount

The Financial Position in Australia

of notes issued, but the reserve actually held is always much higher.*

Before the war the total note circulation in Australia was roughly about nine millions, of which the banks held half and the public half. On December 23, 1920—the highest shopping period of the year—the public held over twenty-eight millions, and on January 31, 1921, over twenty-four millions. This increased note circulation was mainly due to the withdrawal of gold from circulation after war began, and from increased wages (which are always paid in currency) and the increased cost of commodities. So that while it is true that inflation of paper currency results in high prices, the increased note issue in Australia is really an effect of high prices and wages, and not their cause. As a matter of fact the note currency plays a very small part in the credit system of the Commonwealth. In Australia as elsewhere the downward reaction in prices has been steadily proceeding since July 1920. It has been unaccompanied, so far, by any decrease in wages. The basic wage in New South Wales was increased from £3 17s. to £4 5s. on October 8, 1920. As the inflation of credit and the general extravagance were, undoubtedly, largely responsible for the increases in prices, so the curtailment of credit and saner spending on the part of the public will tend to reduce prices to their normal level.

Reviewing the Australian financial situation in the light of the principles laid down by the Brussels Conference, the conclusions indicated by the foregoing investigation are, on the whole, not unfavourable. The situation undoubtedly demands the most careful handling by all our public administrative bodies, banks and other financial

*	Date.	Notes issued.	Percentage of Gold Held.
	June, 1917	£47,201,564	32·29
	" 1918	52,535,959	33·61
	" 1919	55,567,423	43·68
	" 1920	56,949,030	41·54
	Jany. 1921	59,058,454	38·86

Australia

institutions. Mistakes are more difficult to rectify now than they were before. And responsible public men who either through ignorance, party prejudices or sheer indifference beguile the people with false economic doctrines, will be guilty of a crime against the future of Australia which a disillusioned public will find it difficult to forgive. Indeed, the circumstances demand that every intelligent citizen shall do his part "to realise the essential facts of the situation as a preliminary to those social reforms which the world demands."

Australia. April, 1921.

SOUTH AFRICA

I. THE GENERAL ELECTION

THE last number of *THE ROUND TABLE* made the bare announcement that the General Election in February last had given General Smuts and the enlarged South African Party a good majority in the House of Assembly. This majority consists of 22 seats over all other parties, and the Senate elections which followed have given the South African Party 17 seats in the second chamber, the Nationalists 13 and Labour 2. The South African Party majority has, moreover, naturally been swelled by the addition of most of the 8 members who under the Constitution are nominated by the Government.*

The General Election was the culminating event in a development of South African politics which had been growing ever since Union—namely, the fusion of the two post-Boer-war and pre-union racial parties, minus the extremists, into one party in defence of the Act of Union. Many prominent South African statesmen had worked for such a fusion when General Botha formed his first Union ministry in 1910. But it was not until the ever-growing

* Under the Act of Union a Senate was set up for ten years only, after which period, unless in the meantime Parliament made other arrangements, the Senate became dissolved and another had to be elected on the same basis as the previous one. This basis is equal provincial representation, eight Senators from each province with eight more nominated by the Government. The electorate in each province is formed of the members of Parliament and Provincial Councillors from each province sitting jointly, and voting by proportional representation. The question of reconstruction of the Senate has been under consideration, but the subject must be reserved for another number.

South Africa

strength of the Nationalists made it impossible for the South African Party to form a Government of itself that fusion between that party and the Unionists became inevitable. It would, no doubt, have come about sooner had it not been for the war. General Botha was able to govern for the five years after the General Election of 1915, though in a minority, by means of the support of the Unionists, who had been returned pledged to give it to him. But the war being over, no such support would be expected by General Smuts, and the active co-operation of the Unionists could no longer be relied upon unless they shared in the responsibility of government. The two parties amalgamated and appealed to the country in February to give a decisive verdict in favour of remaining faithful to the 1910 constitution.

The issue of the election was secession ; but more was involved than the simple question whether such a step should or should not be taken. For even if South Africa should never sever her connection with the British Empire, the consequences of continually raising such an issue were sure to be attended with the most serious consequences for the internal welfare of the country. In the country districts, it is true, the gravest discussion centred on the advantages and disadvantages of the British connection. In the towns, however, the demerits of secession were very generally taken for granted, and when they were discussed it was on the internal aspect rather than on the external effects that emphasis was laid. For if the foundations of the country's political fabric were continually to be dug up stable conditions would become impossible, and if the settlement embodied in the Act of Union is to be fought over at every General Election South Africa will become a country hardly worth living in. The danger lies not in the possibility of a Government being returned which may attempt to put secession into actual operation, for such a contingency is unlikely, but in the claim of the Nationalists that they shall be allowed to carry on propaganda in favour of departing from the Act of Union, representing as that

The General Election

Act does a settlement of the conflicting political aspirations of the two white races, based on South Africa continuing to be a member of the British Empire. This was one of the main points on which the attempt to form a fusion between the South African Party and the Nationalists broke down at the Hereeniging Conference at Bloemfontein in September, 1920.*

The secession issue is settled, humanly speaking, by the election for a few years at least. The election was fought on that issue, and that issue only. The Nationalists raised it, and though their leader attempted at the last moment to shift his forces to the economic battle-ground, he did so too late. General Smuts had already engaged him, and he was compelled to fight where he stood. In the ensuing struggle it was the third party, Labour, which suffered most severely. Labour, indeed, during the election campaign, insisted that the real object of the election was not the settling of the secession issue but the destruction of the Labour phalanx in Parliament. They argued that Labour members could be relied upon to vote against the Nationalists on the issues of secession and upsetting the Act of Union. Like General Herzog, too, they tried to divert the election from the constitutional to the economic and industrial issues. But their arguments were of no avail. The electors, to whom they appealed, realised that the Government, if it is to be effective, must be able to rely upon a majority on other questions than the constitutional one. It may be frankly admitted that in the eyes of an electorate which is predominantly Conservative the reduction of the strength of Labour is an additional advantage. But the broad fact remains that the Labour losses were the price that had to be paid for the defeat of secession. True, the landslide of large blocks of the old South African Party into the Nationalist camp which was talked of, if ever Smuts had ~~had~~ dealings with the Unionist Samaritans, did not take

* See *ROUND TABLE*, No. 41, p. 198.

South Africa

place. But that was not enough. The balance lay mainly with the English-speaking electors of the towns. Hundreds of them who would normally have voted Labour, voted for Smuts. The Nationalists now know that great numbers of urban electors, in spite of the hard times which were already upon them before the election campaign was well begun, at present regard the political issue more gravely than the economic. The big turnover of votes which left Labour with 10 seats instead of 21, and their leader, Colonel Cresswell, without a seat, is not without precedent in South Africa. It may be traced to the existence of a considerable body of voters in the towns, a moderate working-class vote in the broadest sense, who really belong to no particular party, but who record their votes on the merits at issue at the time the election is held. In 1915 the issue was the war, and the Unionist Party garnered these votes. In 1920 the rise in the cost of living and the Government's inactivity in regard to it was uppermost in their minds, and accordingly they voted Labour just as in 1921 a realisation of the necessity of upholding the Constitution impelled them to vote for General Smuts.

The mass of the English-speaking voters on this last occasion saw two things, and two things only. The British connection was threatened. It was not merely that the United Kingdom is South Africa's greatest market, the main source of her borrowed money, the paymaster of the Fleet, the power which since the Anglo-Boer war has given her no cause to desire to cut the painter. It was rather, as General Smuts has put it, that—

the British connection is not a matter of debate or a matter of speculation in South Africa. It is one of the most fundamental articles in the most important document we have signed in this country. . . . If this article disappears from the Constitution the whole contract is broken. . . . The whole Union breaks up.

The Nationalists deny that this is so. The bulk of the electors, however, are not prepared to take any risks in so

The General Election

vital a matter. They know that to depart from the Act of Union by seceding from the British Empire would also probably mean an outbreak of civil war, the collapse of the credit of the country and grave unrest among the natives, who have always regarded the British connection as of special value to themselves. Other things apart, it was hardly worth while running the risk of such disasters for the sake of speculations as to the precise amount of freedom enjoyed at the present moment by South Africa.

The English-speaking voter, however, saw another fact, a much more human fact. "The Dutch people," said General Smuts, "have remained staunch and true, and have been maligned and misunderstood by their own people, and suffered in their souls for their reliance and staunchness." It is hard to convey to people who do not know South Africa intimately the fact that the real quarrel is not between so-called English and Dutch, but between Nationalist and South African Party Afrikaner. Townsmen have gradually gained a fuller knowledge of what South African Party "Dutchmen" have had to endure in some of the country districts for their loyalty to the Constitution and to their fellow citizens. That knowledge weighed with many at the elections. They felt that if they did not hold out their hands to these Dutch burghers, the thing was finished and all these men's sacrifices would have been in vain. To-day an ex-irreconcilable, the son of President Reitz of the Free State, rejected by the electors of the capital of his native Province, sits as unopposed member for Port Elizabeth, the landing-place of the 1820 settlers, a city whose past record cannot be pronounced guiltless of that political aberration which men call Jingoism.

While the Nationalists remain as strong numerically as ever in Parliament,* the verdict of the country cannot be

* *The growth of Nationalism seems, at all events, to have been checked. Its past record is as follows: In 1915 it won 26 seats and polled approximately 78,000 votes; in 1920 it won 44 seats and polled approximately 101,000 votes; in 1921 it won 45 seats and polled approximately 105,000 votes.*

South Africa

said to be absolutely final in itself on the question of secession. Still the effect ought to be final because it enables General Smuts to form a strong Government which should have a five years' life in front of it, during which time he will have the chance of administering the country and pushing on with his policy of industrial development in such a way as to make the secession issue a back number before the next election comes.

II. CONSEQUENCES OF THE ELECTIONS

AS a result of the elections South Africa now has a sense of political stability such as she has not known since 1914. The Nationalists themselves feel it. It is an open secret that many of the Nationalist rank and file, especially in the Cape, are relieved that there is no immediate prospect of their being called upon to translate their secession principles into practice. The standpoint of the ardent Republicans in the Free State and the Transvaal is intelligible enough. They remember the old republican days, and they resent the passing of them, and especially the manner of their passing. They have been unable to follow General Smuts's line of thought when he wrote, as long ago as 1906, to the late Lord de Villiers * :—

We who love South Africa as a whole, who have our ideal of her, who wish to substitute the idea of a United South Africa for the lost independence, who see in a broader horizon, in a wider and more embracing statesmanship, the cure for many of our ills and the only escape from the dreary pettiness and bickerings of the past —we are prepared to sacrifice much, not to Natal or the Cape, but to South Africa. . . . Our strength does not lie in isolation but in union.

General Hertzog, on the other hand, would even now accept the restoration of the two Republics in which "Englishmen" who objected to the change would retain

* Vide *Cape Times*, February 8, 1921.

Consequences of the Elections

their British citizenship, pay republican taxes and look for the safeguarding of their interests to a British Resident, standing, in short, "exactly in the same position as before the Boer War." Many Nationalists, however, certainly do not subscribe to that doctrine. In the Cape, at least, many of the more far-sighted resent the line taken by their leaders. They feel that their position as Nationalists, as guardians of a small people with its own traditions and a developing culture, is weakened by its identification with Republicanism and Secession. They would prefer a republic to any other form of government, but they see plainly that it is not practical politics now. General Hertzog himself has recently given one more proof of the fact that he has been driven unwillingly along the road to secession by pressure of his friends from the North by announcing publicly that the Nationalist party has more important work to do than winning political victories. For the rest, he takes a grim satisfaction in the fact that it is not his party which has to guide the State through the straitened times ahead.

The sense of political stability is increased by the fact that the Ministry now depends upon the support of large sections of both the white peoples of South Africa. It is in no danger of lapsing into racialism. Again, it has, as already shown, backing in both Houses strong enough to enable it to carry out its policy. Opinions may legitimately differ as to the desirability of the present Government and its policy. Most people admit that South Africa needs a firm Government with a definite policy.

The Nationalist and Labour Opposition parties are strong enough to discharge their duties as criticising forces; they are not strong enough to hold the life of the Government in their hands day in and day out.

South Africa

III. RHODESIA AND THE ELECTIONS IN THE UNION

IT is not possible to judge at present whether this newly-found political stability will hasten the handing over of the Native Protectorates to the Union, a contingency fully provided for in the South Africa Act of 1909. Nor is it possible yet to ascertain how native and coloured opinion in the Union and on its borders regards the new development. It is, however, possible to indicate some of the results which are already appearing in Southern Rhodesia. Public opinion in that territory has steadily become more definite on the question of union with South Africa. Southern Rhodesia declined political union at the time of the National Convention in 1908-9; she voted for a continuation of Chartered Company rule in 1914 as the only alternative to Union; the indecisive results of the Union election and the growth of the Nationalist party in 1920 ruined the chances of the pro-Union party at the Rhodesian elections which immediately followed it. Southern Rhodesia understands by "Republic" the old South African Republic of Kruger's régime, and she will have none of it. During the long-drawn-out discussion over the land and administrative deficits from 1914-21, Rhodesian opinion has been steadily turning in favour of responsible government. This is not the time or place to enter into the details of the progress of this movement. That may be more conveniently done on a future occasion. It is sufficient to say that the present Colonial Secretary has appointed a committee, under the sympathetic and well-informed chairmanship of Lord Buxton, which is enquiring when, by what procedure, and with what limitations, presumably as regards the natives and Crown lands, responsible government may be established.

This committee is also considering certain questions raised by the settlers in Northern Rhodesia, who differ

Rhodesia and the Elections in the Union

from the B.S.A. Company on matters of taxation and on the appointment of a joint Administrator for Northern and Southern Rhodesia. Meanwhile, signs are not wanting that politicians in Southern Rhodesia, who viewed the Company's proposals in 1917 to amalgamate the two territories with deep suspicion, because they saw in it a scheme whereby all hope of responsible government for themselves would be swamped by a flood of natives from "the Black North," are more favourably inclined to amalgamation with part of Northern Rhodesia. To-day the suggestion—and, as far as can be judged, it is nothing more than a suggestion—is that the high country, the "hog's-back," on which the railway runs from Livingstone to Broken Hill, and on which the great majority of the Europeans are settled, should be united with Southern Rhodesia. The great Barotse Reserve to the west would thus be excluded, and the mainly native territories to the north and east would naturally gravitate towards Nyassaland.

This scheme is still nebulous. What is certain in the politics of the territories north of the Union border is that Smuts's victory has revived the hopes of those Rhodesians who, like Rhodes, look for the political inclusion of Southern Rhodesia in South Africa. It has also inclined many responsible government men to view ultimate Union as a matter of practical politics. But it must be union only after the grant of self-government to Southern Rhodesia, with or without the "hog's-back." If there is to be union, they desire time to put their own house in order and then to deal with South Africa on a footing of constitutional equality. No more can be said justifiably on this matter now; but, as illustrating the feeling of political security which Smuts's victory has given to all Southern Africa, this can and ought to be said. Meanwhile, the Nationalist press has already raised the alarm that Smuts means to bring in Rhodesia to "break the back of Afrikanderdom."

South Africa

IV. IMPERIAL AND EXTERNAL POLICY

THE political stability achieved at home will enable South Africa to pursue a definite policy overseas. The view taken by her Premier of South Africa's status is well known. It was indeed made abundantly clear in the last number of *THE ROUND TABLE*. Presumably some statement of Government policy will be forthcoming before General Smuts leaves for the meeting of the Imperial Conference in June. It may be safely said, however, that the result of the elections has been to commit South Africa definitely to the policy of "free discussion, conference and consultation among the nations, . . . the written constitution of the League of Nations, and . . . the practice of the unwritten British Constitution."

South Africa has already taken part in the Assembly of the League of Nations. General Smuts and a growing number of South Africans take the League seriously. It was a genuine satisfaction to them that delegates from 42 States met at Geneva and that, at this first meeting "the position of South Africa was unique, as all the small nations gathered round the delegates from South Africa." This honourable position was undoubtedly due in part to the fact that Lord Robert Cecil, passed over by his own Government, had been invited to represent us at Geneva. But it was surely also due in part to the fact that General Smuts was the man who, next to President Wilson, had done most to bring the League into being. Now that his position has been made secure, the Premier will be able to speak with greater effect for South Africa in the councils of the nations.

It may safely be said that, through him, South African influence will be exerted towards the modification of certain terms of the Peace Treaties. General Smuts has been perfectly explicit on that head. Since his famous criticism of the Treaty of Versailles issued immediately

The New Cabinet

after its signature, he has twice elaborated his ideas publicly; once at a meeting in Johannesburg in February, 1921, and once in a valedictory message to President Wilson. "Peace," he said, "came to the Conference of Paris, and many ideals got lost there." President Wilson plunged into the Conference—

that inferno of human passions, like a second Heracles, to bring back the fair Alcestis of the world's desire. . . . It was not Alcestis; it was a haggard, unlovely woman with features distorted with hatred, greed and selfishness, and the little child she carried was scarcely noted. Yet it was for the saving of the child that Wilson had laboured until he was a physical wreck. . . . Knowing the Peace Conference as I knew it from within, I feel convinced in my own mind that not the greatest man born of woman in the history of the race could have saved that situation. . . . What was really saved at Paris was the child—the Covenant of the League of Nations. . . . The Covenant is one of the great creative documents of human history. The Peace Treaty will fade into merciful oblivion . . . but the Covenant will stand as sure as fate.

Given enough of the right spirit—and that depends upon the men and women who make up the mass of the nations—the League will gather strength. South Africa is beginning to see that she can best face the problems of foreign policy, with their inevitable reaction upon domestic policy, within the British Commonwealth, which is itself within the League of Nations. As Smuts wrote of the four South African colonies in 1906, "Our strength does not lie in isolation, but in union." That, in a sentence, is the lesson of the general election.

V. THE NEW CABINET

THE elections took place on February 8. Parliament assembled on March 11. Much speculation took place during the intervening weeks as to how the amalgamation of the late Unionist party with the South African party would be reflected in the Cabinet. The Cabinet

South Africa

which actually met Parliament contained six of the Ministers who had carried on during the war period, three ex-Unionists and one newly elected member. General Smuts, as Premier, retained the portfolio of Native Affairs. Mr. Malan, as Minister for Mines and Industries, has also "undertaken to assist the Premier with the details of administration." Mr. Burton retains Finance, and Mr. de Wet Justice. Colonel Mentz continues to be responsible for Defence, and Sir Thomas Watt for Posts, Telegraphs and Public Works. Of the new Ministers, Sir Thomas Smartt, ex-leader of the Unionists, is Minister for Agriculture; Mr. Jagger for Railways and Harbours, and Mr. Duncan for the Interior, Public Health and Education. Colonel Reitz goes to the Ministerial benches as Minister for Lands.

The Cabinet is regarded as a strong one. It is conservative in tone, necessarily so in a country like South Africa, which, in face of its large native population, cannot embark upon social and economic experiments which have not been proved workable in countries which are faced with simpler conditions. Its administrative capacity is of a high order, and, as the Premier has already announced, the country must look to it for the steady administration of existing laws rather than the provision of new laws. On the other hand, its capacity will soon be tested. It has many problems to deal with, and it may have internal troubles which will add to its difficulties in dealing with them. It consists of men whose traditions and policies have at times differed profoundly. These men have gradually come closer together, as indeed have the sections of the electorate which have returned them to power. General Smuts has well said that "the English as well as the Dutch long to be South Africans first and foremost and to live together as one people." So far, so good; but there are still gaps to be bridged over. Tradition must count for much in deciding questions of Imperial obligation, naval policy and immigration. Again, the old South

Internal Policy

African party was predominantly a Dutch-speaking country party, the Unionist an English-speaking town party. They differed therefore on questions of taxation and railway policy. The Unionists, too, were heirs to the liberal Imperial policy towards the natives, though this claim must be modified by the mention of the fact that many of the older Cape politicians, whose native policy was most liberal, were in no sense Unionists, or, as they used to be called, Progressives. It is easy to exaggerate these differences. The most homogeneous Cabinets in the long history of parliamentary government have had a right and a left wing. Again, the coincidence of the racial dividing line with the boundary between Town and Country has become steadily less in recent years. More and more Dutch-speaking people have come into the towns, while, better still, more and more English-speaking citizens have gone out into the country. Of the new ex-Unionist Ministers, Sir Thomas Smartt is first and foremost a farmer, while Mr. Jagger includes farming among his many activities. Conversely, Colonel Reitz, like the Premier, is a farmer-lawyer who sits for a large urban constituency.

VI. INTERNAL POLICY

THE Governor-General, in his speech at the opening of Parliament, insisted that the main business of the session is to be finance. After all, government is largely a matter of pounds, shillings and pence, while finance is the breath of life to Parliament. The financial and economic situation is serious. True, South Africa is better off in this respect than most other countries. She has a fair supply of cheap labour, great natural resources, a good position on the world's trade routes, and the control of a great part of the world's gold supply. Nor has she suffered materially from the war in any marked degree. On the other hand, her revenues have fallen off seriously, especially

South Africa

the proceeds of customs, gold and diamonds, on which she largely depends to make both ends meet. The collapse of the European market has damaged her growing export trade, while the hasty and wholesale importation of post-war manufactures has hit her nascent industries hard and overstocked her shops, which now find the banks more chary of giving credit than in the past. The gold premium has fallen, some of the poorer mines have already closed down, and many others are in difficulties. The demand for diamonds has fallen off heavily and, in spite of a partial recovery, the one-time staple trade in ostrich feathers is still but a shadow of its former self. The selling price of wine, maize, cattle and agricultural produce generally has dropped, and the world's wool market is so dead that, after failing to dispose of the clip in Germany, recourse has had to be made to the Imperial Government, which is to purchase 100,000 bales of the 1919 clip at 1913-14 prices. Those prices are from 15 to 20 per cent. above the present world price, a sad fall from the wool-farmer's halcyon days of the war period. As a consequence of this depression, the Poor White problem is more serious than ever, and a commission is already investigating the question of unemployment. The one bright spot upon this sombre background is the fact that prices are falling.

In view of the fall in prices, the Governor-General's speech foreshadowed a possible modification of the emergency measures passed in 1920 to check the rise in rents, profiteering and speculation in foodstuffs. Cynics may say that this is the firstfruits of the Labour *débâcle* at the elections. However that may be, the case for these measures is by no means so strong as it was a year ago. As regards finance, the main measure proposed was a Bill to continue the existing relations of the Provinces with the Union Treasury for another year, with modifications which will be discussed in a moment. Railway extension was promised, mainly as one means of coping with the growing unemployment, but it is plain that much extension work

Internal Policy

and electrification, in themselves desirable and necessary, cannot be undertaken at present. In common with the rest of the world, South Africa is faced with a dearth of capital and ruinous prices for many of the necessary materials. Safeguards were promised to some of our industries in view of the abnormal conditions abroad, and, finally, the public was warned that it must expect heavier taxation.

The Minister for Finance has not yet introduced the Budget, but it is already known that, though the revenue for 1920-21 has exceeded the estimate, expenditure has risen still more rapidly. A deficit has to be faced, besides demands for additional expenditure, the main items in which are £400,000 due to the recommendations of the Public Service Commission, the higher rate of interest now payable on Treasury bills, and the ever-growing requests of the provincial executives for subsidies. In view of the fall in prices and the financial stringency, the Government has decided to reduce the war bonus by 25 per cent. At the time of writing a storm is raging in the Civil Service and the Railways and Harbour Services, both of which are affected by this reduction.

The financial condition of the railways also gives cause for anxiety. Under the Act of Union the 11,000 miles of line controlled by the Government are financed separately from other branches of the administration. Railways and harbours have to be run on business principles, and not, as in the past history of the South African colonies, as sources of revenue to the State and prolific sources of quarrel between states. The past year's working has resulted in a deficit of £591,000, making a total accumulated deficit for the period 1916-21 of £2,138,000. Passenger fares and goods rates have been raised to the limit of payability, and yet the railways are not paying the full interest on capital expenditure already incurred. The coal-owners of Natal and the Transvaal allege that their export trade has been strangled by the high railway rates, and that

South Africa

shipping has been driven off the Cape route in consequence. Since the coal strike has come to a head in Great Britain, however, rates for export and bunker coal have been reduced drastically in the hope that the revival of export trade will make up any loss due to the reduction. The congestion on the Natal line to Durban still remains to be overcome.

The main debates in the House of Assembly hitherto have been upon the burning question of the financial relations of the Provinces with the Union. This question really goes back to the struggle which raged in the National Convention (and very nearly wrecked it) round the choice between Federation and Union. It even strikes further back to the traditional reliance of all the Provinces, other than the Cape, on the central state or colonial Governments for the financing of local schemes.

Under the South Africa Act of 1909, the Provincial Councils, which succeeded to some of the functions of the old Colonial Parliaments, were entrusted with powers of direct taxation, and of borrowing within limits for purely provincial purposes. Acts of 1913 and 1917 provided for the grant of Union subsidies on the £1 for £1 basis. This basis was also extended to expenditure in excess of that for the preceding year up to a 5 per cent. increase for general purposes and a 15 per cent. increase for education. The Union undertook to find only one-third of any expenditure over and above those limits. Special subsidies were also promised in the case of certain Provinces.

It is this arrangement which is now being extended for a further year, subject to certain modifications. No subsidy is to be paid in consideration of expenditure in excess of that for 1920 other than one-half of a 5 per cent. increase for education. No Provincial Council is to levy direct taxes upon the mines; nor is it to tax natives as such. Direct taxes must fall equally upon white, coloured and black. This is a sound application of the principle, which is abundantly clear in all the discussions of the

Internal Policy

National Convention, that the natives are the concern of the Union and not of the Provincial Governments.

The reasons for these limitations became more clear as the debates proceeded. Provincial expenditure has inevitably risen as the activities of the Provincial authorities have widened. But the demands made upon the Union Exchequer have risen unduly. The total Provincial expenditure, according to the estimates for 1921-22, has risen by 192 per cent. since 1913-14. The Union subsidy has risen by 146 per cent., excluding the special grant to Natal. In 1913 the Provinces raised £424,000 by direct taxation; in 1919-20 they raised £1,265,000, but of this sum £391,000 was due to the Transvaal tax on gold-mining profits, a tax which at the time was regarded as a trespass on the Union's financial preserves. During the same period the Union subsidies increased by £1,462,000.

Faced with the necessity of cutting down its own expenditure and of levying additional taxation, the Union is determined to check the calls which have been made so readily upon its purse. One concession has been made. The Transvaal Council is to draw the proceeds of the gold tax until March 31, 1922. Thereafter there is to be no question that mines of all kinds are to be regarded as national assets from the taxing point of view.

The Bill inevitably roused great opposition. The cry was raised, notably by Free State and Natal members, that education would be starved. The retort obvious was made with refreshing bluntness by no fewer than three Ministers. The reliance of Natal, the protagonist of Federalism, upon Union subsidies, sorts ill with her political aspirations. In 1919, for instance, the money she drew from Union sources was out of all proportion to the amount she raised locally. As to the Free State, her Provincial Council, like its predecessor, the Volksraad, has always hesitated to tax her burghers. The plea that education will be starved has been met by the special provision of one-half of a 5 per cent. increase on last year's expenditure thereon. For the

South Africa

rest, if Provincial Councils feel that certain services are in danger of starvation, the remedy is in their own hands. The duty and power of local taxation are the only basis of real local government.

Many of the opponents of the Bill held that the Government was aiming at the destruction of the Provincial Councils. These bodies have been much criticised since their inception. A commission held in 1916, on which two of the new Ministers played a leading part, even recommended their abolition ; the transfer of all education, the sheet-anchor of the provincial system, to the central Government ; and the partition of the Union into large divisions under Councils with extensive powers. The present Government declares, however, that it intends to maintain the provincial system. The present Bill is merely a temporary measure to be passed pending a more satisfactory settlement of the financial relations of the Union with the Provinces. If it be urged that the Bill is an insidious means of discovering unsuspected weaknesses in the provincial system, the only possible answer is that the sooner these weaknesses are revealed the better. The second reading was passed on strictly party lines by 70 to 48, and the Bill has now been sent to the Upper House.

The only other Government measure of first-class importance which has been brought forward up to the present is a Bill designed to remodel and bring into force the Defence Act of 1912. The latter never came into full operation. It was overwhelmed by the sudden outbreak of the war and the rebellion in 1914. A discussion of the new measure must be held over. Meanwhile, it may be noted that the essential point is the raising of a small Permanent Force, for the first time totally distinct from the police. The Minister for Defence has also confided to the House the fact that the Union Government is about to take over the defences of Capetown and Durban. No mention is made of Simonstown. Presumably the naval base will remain in Imperial hands.

Internal Policy

A private motion has, however, already given rise to much discussion, and promises to give rise to more. The proposal is that a Tariff Board be formed, "an impartial body," free from the control of the customs authorities, to guide the Government in the intricate task of fixing a scientific tariff. Many new industries sprang up in South Africa under the undesigned protection afforded by the war. Some have been hard hit by goods off-loaded by Europe and America in the "slump" which followed the delusive prosperity of the post-war period. It remains to be seen how long this abnormal competition will last. South African industry has much in its favour—cheap coal, cheap labour, many natural resources, fair internal communications, a fine position on the world's southern trade-routes, a natural protection afforded by her distance from the older manufacturing countries. She will soon be supplying her own iron and steel. She has the prospect, finally, of political stability. Her customs tariff to-day is nominally for revenue purposes, yet it ranges from 15 to 25 per cent. *ad valorem*. It remains to be seen how many of her new industries deserve to live, with all these advantages, and how many can only be kept alive by artificial respiration supplied at public expense. A Committee appointed to enquire into the condition of the South African boot industry has recently recommended that the duty be raised from 20 to 40 per cent. The Government has now promised to consider the appointment of an advisory Tariff Board to study the tariff problem and the best means of developing South African industries. The question of the *personnel* of a Board with such duties is all-important. Its work will be watched by the consuming public with much interest and some anxiety.

South Africa. April, 1921.

NEW ZEALAND

I. INTRODUCTORY

THE period which this article covers has not been eventful. It is the holiday season of the Southern Hemisphere, in which the festivities associated with Christmas and New Year, themselves intensified, though altered in character, as the result of their occurrence at mid-summer, merely introduce the holiday spirit that prevails in the Old World in July and August. During the greater part of it politics have been at a discount, and even Labour has not been generally inclined to spoil its summer enjoyments by giving too free play to its prevailing restlessness. Still, though there have been no striking events to form the basis of this article, there has been a gradual ripening of the situation of the country in more respects than one. In particular, the position in trade and finance has become more interesting and important, and thereby deserving of description and understanding. The financial problem is undoubtedly the dominant one at the present time, and the most urgent withal.

II. THE FINANCIAL STATEMENT

THE financial statement delivered some months ago was in itself satisfactory enough. Ignoring the possibilities of the future, our finances appeared to be sound. There was obvious need, as elsewhere, of energy in production and economy in expenditure; but only in

Trade

the event of a substantial fall in the prices of our products leading to a serious decline in our revenue, did there appear to be any cause for serious anxiety. Our revenue for the year ending March 31st last was 26 millions and our expenditure not quite 24 millions. For the year 1920-21 the estimated revenue is nearly 28 millions, and the estimated expenditure not quite 27 millions. These sums are vastly in excess of pre-war days' estimates, for in 1913 the revenue was £11,734,271, and the expenditure £11,082,038. The increase of taxation is another measure of the burden that the war has laid on the country. Our taxation per head has increased from £5 10s. in 1914 to £14 2s. 6d. in 1920. For 1921 it is estimated to be £15 7s. 6d. But it is clear that, for the present, taxation cannot be reduced. Mr. Massey seems to entertain no real hope, although he expresses the desire of effecting such reduction in the near future. Moreover, borrowing on a large scale is to continue. During the financial year 15 millions are to be borrowed for various purposes, including discharged soldiers' settlement, public works and housing. In addition 10 millions are required for the conversion of loans falling due.

A wide policy of development was outlined by the Prime Minister, involving agricultural development and instruction, including forestry, a certain amount of railway development, and the promotion of immigration.

III. TRADE

SINCE the Financial Statement was presented to Parliament a serious change has taken place in the trade position of the country. During the war, and especially during the later period of the war, exports from New Zealand were encouraged. The Imperial Government had need of them and purchased them very extensively on the Imperial requisition system. Shipping was used, as

New Zealand

it became available, to carry the goods to England. Imports, on the other hand, were not so well provided for. Many lines could only be obtained in small quantities, or were not obtainable at all. Even when the war was over this condition of things continued. The demand for the products of New Zealand at still higher prices increased, while the manufacturers in England, on the other hand, were so busy supplying their own local and other markets that they could not possibly meet the requirements of New Zealand. One result was a very favourable trade balance, and in London funds amounting to many millions stood to the credit of the banks operating in New Zealand.

During the second quarter of 1920 a change set in, and imports began greatly to exceed exports. This position has since then been accentuated, as exemplified by the following figures :—

Quarter.	Exports.	Imports.	Excess of Imports.
	£	£	£
First	11,418,788	9,791,061	-1,627,727
Second	11,406,084	14,407,613	+3,001,529
Third	12,360,695	18,980,970	+6,620,275
Fourth	11,256,379	18,416,184	+7,159,805
Totals	<u>46,441,946</u>	<u>61,595,828</u>	<u>15,153,882</u>

Thus, in spite of the favourable first quarter, the result of the year's trade is an adverse balance of over 15 millions. As many payments due in London and "invisible" imports had to be added to this, it will readily be seen that the credit balance in London was quickly wiped out. When imports were hard to obtain and manufacturers were supplying portions only of their orders, firms had ordered more than they really wanted, hoping in this way to secure as much as they needed. They were often urged to do so, it is said, by representatives of the manufacturers. Suddenly manufacturers began to supply, not only the whole order, but orders that were in arrears, so that firms began

Trade

to receive orders that had accumulated for years. The banks began to find it difficult to finance the largely increasing imports. Pressure was put by the banks upon importing firms to force them to cut down their imports as much as possible. Orders have consequently been countermanded as far as practicable. But in the meantime large stocks were already afloat or had arrived. Manufacturers have in many cases agreed to accept the countermanding of orders, except, of course, where the orders involved special work which had already been begun. But not always. One case is known to the writer in which the manufacturer actually acknowledged the countermanding of an order of stock goods, but sent the goods, and although it had been his practice, and was one of the conditions of this particular order, to draw at 90 days, he drew at sight. The result of the whole situation has been a necessity to realise stocks and a reduction of the retail prices in many lines of manufactured goods.

These conditions are not, of course, peculiar to New Zealand; Australia, and possibly other countries are equally involved. It is well that the position should be clearly understood. The sudden contraction of the demand from these countries has, no doubt, added to the embarrassment of the British manufacturer; and an official of the British Federation of Industries has complained that the present difficulty does not encourage British manufacturers to try to trade with Australia. But neither New Zealand nor Australia can pay for more than a certain value of imports, nor would they normally have ordered more than could be paid for. The present difficulty is but another after-war effect. It may reasonably be hoped that the realisation of this season's produce will contribute towards an improvement of the situation. The position has not been assisted by the absence of any New Zealand loan on the London market. One of the effects of the present policy of the Government to raise their loans only on the local market must necessarily be to make it more difficult

New Zealand

to finance what we have come to regard as the normal quantity of imports. So long as this policy obtains, the country must make shift with a smaller quantity of goods from outside.

A graphic illustration of the present glut of goods is afforded by the serious shortage of goods wagons in Canterbury, which is causing acute difficulty on the eve of the seasonal demand for the carriage of grain and other produce. One reason for this shortage is that railway trucks are being used for the storage of imported goods; but the main trouble seems to be the inability of indentors and other importers to make arrangements with the banks.

IV. CREDIT

IT is not only in respect to imports that the banks have found it necessary to exert pressure. They have also had to take precautions with regard to the overdrafts of their patrons. The immediate explanation of this appears at once when we examine the quarterly returns for the past year:—

			Deposits.		Advances.
			£		£
March	..	..	50,665,091	..	32,042,043
June	..	..	54,598,092	..	34,789,581
September	..	..	53,131,692	..	39,017,808
December	..	..	49,456,893	..	47,118,296

In the last quarter alone the surplus of deposits over advances has been reduced from over 14 to less than $2\frac{1}{2}$ millions. This is a complete but more rapid reversal of the position that had previously developed, when an excess of deposits of over $6\frac{1}{2}$ millions in the first quarter of 1919 gradually increased to one of nearly 20 millions in the second quarter of 1920. This is, after all, only another version of the trade position described above. The excess of exports that obtained until lately at first caused a steady accumulation of funds. The great recent excess of imports

Credit

is responsible for their depletion. The actual fall in the prices of some of the products of the country, and the likelihood of a fall in those of others, adds to the anxiety with which banks view the situation. The result has been a pronounced stringency in the money market. Money has been in demand. Interest rates have risen, and stocks and shares fallen in price. The highest class of share has in many cases had the largest fall, as being the most readily saleable, and was often held on that account so as to be realised when need arose. Yet it has been rightly pointed out that the Dominion is nevertheless financially sound, and, more than that, is as yet actually prosperous. The banks have even been complimented on their action for taking a more or less timely precaution, the neglect of which, some twenty-eight years ago, produced a disastrous financial crisis in Australasia.

It was under these conditions that the discharged soldiers' settlement loan of 6 millions, for twelve years at $5\frac{1}{2}$ per cent., had to be raised. If the amount was not raised voluntarily, compulsion was to be used. So far the public has not been informed what portion of the loan has been subscribed, though it is certain that the whole has not been, or whether compulsion will be necessary to obtain a sufficient sum. The Prime Minister quite recently has stated that "there is no reason to be dissatisfied with what has taken place. We have now got in all that can be collected voluntarily, and anything additional will be the result of the application of compulsion." Asked whether the unsatisfactory financial conditions obtaining would influence the Government in the matter of applying the compulsory clauses, Mr. Massey is reported to have said that "certain promises had been made to the soldiers, and must be kept; but, so far as he could see, there would be little hardship in connection with this matter, though, of course, there might be some."

Local bodies are severely handicapped by the limitation of the interest which they are allowed by the Government

New Zealand

to offer for loans. Their activities, like those of the State and of private individuals, were greatly restricted by the war. The need for works of development has increased. Many local bodies would like to obtain money, even at comparatively high rates of interest. If competition were allowed, it would result in a sudden and considerable increase in interest rates, while the money obtained, owing to the dearness and scarcity of materials and labour, would not go nearly so far as it used to do. Consequently the cost of some of the works would in many cases prove a heavy burden on the finances of local bodies. Mr. Massey has determined not to encourage development in any such direction. Recently a deputation from New Plymouth asked him for permission to pay 6 per cent. for money required for the extension of hydro-electric works. It was admitted that the original estimate of £72,000 had had to be raised to nearly £160,000, and the council had failed to raise the money at $5\frac{1}{2}$ per cent. ; but Mr. Massey replied that the position really was quite simple. There was merely a limited amount of money available for all the works in New Zealand, and there was not enough money, material, or labour to go round ; and that, if one local body were allowed to rush in ahead of the others it would get more than its share of the available money. Since then he has shown that he is willing to treat the State itself in the same way. "With the present stringency in money," he is reported as saying, "there was not much chance of getting loans at $5\frac{1}{2}$ per cent. ; and as increased interest mean increased taxation, which he did not wish, there would not, for the present, be any extension of public work out of loan money."

Taxation

V. TAXATION

MR. MASSEY does not desire increased taxation, and there is excellent reason. In six years the indirect taxation of the community has increased by 46 per cent. and the land tax has been doubled, whilst the greatest of the direct taxes, the income tax, yielded last year nearly twelve times the amount collected in the last pre-war year. The position for the last seven years is shown in the following table :—

Year.		Land Tax.		Income Tax.
		£		£
1913-14	..	767,451	..	554,271
1914-15	..	799,644	..	540,318
1915-16	..	1,048,356	..	1,392,119
1916-17	..	713,118	..	4,262,126
1917-18	..	1,385,708	..	5,619,561
1918-19	..	1,512,693	..	6,219,336
1919-1920	..	1,557,903	..	6,369,765

The fall in the amount of land tax in 1916-17, and to a small extent the increase in income tax for that year, was due to making income derived from mortgages of land subject to income tax instead of to land tax.

The evolution of the present system of direct taxation is of some interest. The increases in direct taxation date from 1915. Except in regard to minor details, the system which was in force when the war began had remained unaltered for many years. In 1912, however, Sir James Allen introduced a modification of the graduated tax on land, which was based on the principle of increasing the rate of tax for every £1 of increase in unimproved value, and in the following year he applied the same method to the taxation of incomes. The scale of land taxation in force up to 1915 provided for an ordinary tax of one penny for every £1 of unimproved value, after making certain

New Zealand

statutory deductions and exemptions. To this was now added the graduated tax ranging from one thirty-second of a penny at £5,000 to five and five-sixths of a penny at £2,000,000. In 1915 the land tax was increased by 50 per cent. In 1916 the present scale of taxation was introduced. The tax on land ranges from 1d. to 7d., the increase being at the rate of one penny for £32,000 of value, so that the maximum is reached at £192,000. These rates are subject to a super-tax of 50 per cent. which makes the actual scale of land tax from 1½d. to 10½d. A further alteration of these taxes was made by Parliament in its last session, and comes into force on April 1 next. The taxation of land is to be at the rate of 1d. up to £1,000, increasing by 1d. for every £20,000 of value, with an addition to the scale of 33½ per cent. The result is a reduction of the taxes on the lower values up to £10,000, but on all estates above that value there is an increasing advance upon the present scale of taxation. The minimum rate is to be reduced from 1½d. to 1¾d., but the maximum rate of practically 10½d. is to be reached at £138,000, instead of at £192,000. The taxation of an estate of £138,000 will be a little more than double that imposed before the war.

Previous to 1915 incomes of taxpayers other than companies were taxed at from 6d. to 1s. 4d., the latter rate being levied on all incomes above £2,400, but companies were taxed at the rate of 1s. up to £1,200, increasing to the maximum of 1s. 4d. at £2,400. In 1915 the rate of tax on incomes was extended to 2s. reached at £5,600, with an addition of 33½ per cent., the scale thus being increased to from 8d. to 2s. 8d. in the pound. Income derived from land was also made subject to income tax. In 1916 the experiment was made of taxing "war profits," but was abandoned in the following year, when an additional "special war tax" on incomes was introduced. The effect of this last change has been that income tax ranges from 1s. 3d. in the case of persons and firms, and 2s. 3d. for companies, to a maximum of 7s. 6d. in all cases, the latter

Taxation

rate being levied on all incomes above £6,700. The effect of the amending legislation of last session is difficult to describe briefly. It is complicated by the introduction for the first time of the principle of the relief of incomes derived by personal exertion, and by a change from the dual system of ordinary and special taxes to a single progressive tax. The principal result, however, is that taxation will be increased on all unearned incomes above £650, while others of £700 or over, receiving only a deduction of 10 per cent. for earned incomes, will pay higher taxes than at present. The new scale begins at 1s. 2¹4d. instead of 1s. 3d., but it rises to 8s. 9¹6d. instead of 7s. 6d., the maximum being reached at £7,400 instead of £6,700. An income of £10,000 will be required to pay nearly seven times the amount levied before the war.

The payment of income tax is now nearly due. The prospect is not an easy one for many firms. The contributions to compulsory loans, the land tax recently paid, and now the glut of goods which have to be paid for with the prospect of a falling market, make it none too easy to find the cash or credit that will enable the payment of the large sum that income tax nowadays involves. Requests are numerous that the Government should make some concession in the nature of allowing the tax to be paid in instalments. But the reply from the Prime Minister is that the legislation was definite, and income tax must be paid in one sum not later than the end of February, though he had given instructions to the department to deal as gently as possible with all cases of hardship, and to meet the taxpayers as far as practicable. He holds out the prospect of legislation in a short session of Parliament, which is, however, not to be held until March, after the due date for the payment of income tax. In the meantime, it has been announced, the Commissioner of Taxes is prepared, subject to prior arrangement between the taxpayer and himself, to permit the payment of income tax to be made in the following manner :—

New Zealand

1. Half the amount of the income tax payable to be paid on due date.

2. The balance to be paid by one bill at three months, or by two bills at three and six months.

To the amount of the tax represented by the bills is to be added 15 per cent. penalty and the bank charges, stamps, etc.; and there is to be included in the bills an amount to cover the discount on the bills at 6½ per cent. and exchange on bills, payable elsewhere than at Wellington. The bills must be endorsed by the taxpayer's bankers. On payment of the bills at due date the penalty tax will be refunded. This method of payment will be permitted only in those cases where the taxpayer is unable to find the full amount of income tax himself or obtain it from his bankers, and only after arrangement has been made by the taxpayer with the commissioner. The Government will discount the bills in order to bring the revenue into the financial year ending March 31st.

VI. RETRENCHMENT

WHEN, last October, the Government brought in the Bill providing for a further increase in the maximum scale of taxation, it was surprising that there should have been practically a complete absence of criticism or objection, either in Parliament or in the country. But the changing conditions are now bringing more attention to bear on the allied problems of taxation and retrenchment. A conference of chambers of commerce has asked for an enquiry into the incidence of taxation, and for the exercise of greater economy in national expenditure. Public opinion is being voiced in the Press and by the Press. The *New Zealand Herald* refers to the Administration as having "gambled upon the taxable resources of the community." It adds: "Departmental expenditure is high in this country, and there has been no serious effort to enforce economy any-

Retrenchment

where. Mr. Massey has, indeed, got the length of writing memoranda enjoining economy, but in British experience this proved a fruitless expedient. The only certain method of economy is to determine the amount to be raised by taxation and compel departments to work to an allocation. Sir James Allen showed in 1919 what a resolute Minister may do by cutting down the departmental estimate of expenditure by £400,000. Mr. Massey must prune even more severely this year, and he can only do so by determining his revenue first and then instructing departments to live within the national income."

Mr. Massey has found it necessary to state the Government's case. He claims that the Government has been engaged, ever since the elections, in one continuous struggle against demands from all over the Dominion for increased expenditure, and also in endeavouring to reduce the expenses of administration. With regard to the latter, he expects later to be able to show that during the present half-year the burden upon the taxpayer will have been reduced by several hundreds of thousands of pounds. With regard to the additional taxation he claims some consideration from the fact that, if it were required, it would not come into operation until November next in the case of land tax, or until February next year in the case of income tax ; just about the time when, according to present appearances, increased revenue might be urgently required. Further, he points to the concessions and exemptions, which had hitherto been very sparing in connection with the New Zealand income tax, but which now, he says, are so numerous that doubt has been expressed " as to whether the increases will be equal to them." He points out further that before the new taxes can come into operation, the Land and Income Tax Bill of next session must be passed. By then he would have a very much better idea of the amount of money required than was possible at present. There is a suggestion here that the legislation of last session may be modified, if not altogether withdrawn

New Zealand

before the time of its coming into operation. At all events, he affirms that he would have more pleasure in substantially reducing taxation than in maintaining the present rates or increasing them, though the country's obligations must be met. But, nevertheless, Mr. Massey has been obliged to make some concession to public concern. "I propose," he quite recently stated to an interviewer, "to appoint a commission to go exhaustively through the public service to suggest where retrenchment is possible, such retrenchment as will not interfere with efficiency any more than can be helped." What may be a reform of permanent and constant value is the decision of the Government, urged upon it by the Public Service Commissioners, that every department should be required to produce an annual balance sheet in commercial form. This must help both Parliament, the public, and even the Commission itself to judge whether a department is being run on sound lines.

Extreme statements about the prospects of the Dominion are not justified. Mr. Massey has referred to one: "Criticisms coming from a New Zealander in London recently had declared that unless great care was taken, the country would be faced with bankruptcy. There were two words the citizens of New Zealand should never use. One was repudiation, and the other was bankruptcy. There was not the slightest fear of either. He believed the Dominion would get through. He did not say there would not be a pinch, but if the people of the country would only take off their coats and work there would be nothing to fear."

Transition

VII. TRANSITION

WHAT difficulties there are are financial rather than economic. The country is in a period of transition, with the necessity of providing for the great expense of the war and at the same time of facing the disturbance caused by a large and rapid rise in prices, with the prospect now of a fall, and by a very abnormal, though only temporary, condition of foreign trade. The problem is essentially the same in all the countries that fought throughout the war. It will be a matter, for some time, of continued readjustments to changing circumstances. Even the greater difficulties which may be caused by falling prices are rather of the future than of the present. The drop in wool prices, it is true, means probably a loss of some £6,000,000 to the country ; but for six months of the present dairying season—*i.e.*, August to February—the value of butter and cheese has increased by nearly £5,400,000. The report of Mr. R. W. Dalton, the British Trade Commissioner, after pointing out some of the difficulties of the present situation, proceeds : “ There does not seem to be much cause, however, for pessimism, and it seems not unlikely that New Zealand will be given time to readjust herself to new conditions before a slump comes. Meanwhile immigration is increasing, lands are being improved, and the Government has committed itself to an active public works policy. The extent to which production is carried on, having in mind the small population and the bad conditions of transport in some important districts, is truly remarkable. Now that population is slowly increasing and a systematic improvement of means of transport forecasted, the next two or three decades should witness a development even more remarkable than that which has already taken place. Side by side with this develop-

New Zealand

ment there must be a continuously active public works policy."

The National balance sheet does not read so badly. It has been recently presented by Mr. Massey.

The total liabilities of New Zealand are now some £200,000,000. But as against this the State itself holds assets totalling no less than £121,114,000, of which the chief items are :—Railways, £42,400,000 ; land for settlement, £9,666,000 ; and public buildings, £8,240,000. In addition there are interest-bearing assets to set against the war-debt totalling about £20,000,000. There are thus total assets of over £140,000,000, leaving a comparatively small balance of less than £60,000,000, against which may be placed the Crown lands and all the privately-owned properties of the country and the interests behind them. This is no mean position for the country to be in after the great efforts of recent years. It fully justifies the sanguine view taken by its people, including the Prime Minister, and many others, as to the country's future.

VIII. CURRENCY

IN conclusion, attention may be drawn to some features of the currency of New Zealand. This is not on a gold basis in the usual sense. It is an inconvertible paper one—*inconvertible in law, and not merely in practice*—as has been the case for so long in England. The bank note is full legal tender, not only for the individual, but also for the banks themselves. Yet the amount of gold in the banks is even now amply sufficient to maintain a gold currency in circulation. The notes in circulation during the last quarter, ending in December, amounted to £8,252,337, while the coin and bullion represented as much as £7,657,087, showing a deficiency of only £595,250. Yet this is the most unfavourable position that has yet arisen.

Currency

The corresponding figures during the war years and since are as follows :—

December Quarter.	Note Circulation	Coin, Bullion, etc.	
		£	£
1914	2,614,232	..	6,209,113
1915	3,097,816	..	6,950,516
1916	4,778,267	..	7,688,098
1917	6,464,695	..	9,993,391
1918	6,761,705	..	9,434,670
1919	7,254,412	..	7,862,415
1920	8,252,237	..	7,657,087

It is to be noted that the figures for the note circulation include the notes of other banks held by the various banks which are not in circulation in the ordinary sense.

It was only during last year that the note circulation began to exceed the coin and bullion held by the banks. When legislation was introduced at the beginning of the war, similar to that in England and framed with a view to increasing and protecting the gold reserve held by the banks, the coin and bullion exceeded by many millions and was several times the value of the notes in circulation. In 1913 the average value of the latter was £1,674,333, and the value of coin and bullion in the banks £5,204,266. The total combined circulation of coin and notes at first actually diminished. New Zealand could have parted with much the greater part of the gold in her banks without in any way endangering the security of the notes in circulation. As the war progressed the notes in circulation continually increased, but so long as the war continued the gold in the banks almost kept pace with them. The position seems strange when contrasted with the fact that gold is at a premium here just as in London. But the former connection between notes and gold has been cut. Moreover the exchange on London has been maintained. Except for trifling charges for commission, loss of interest, and so on, the New Zealand pound note has been kept equal to the

New Zealand

English pound note, and consequently has shared in its depreciation. The exchange has been a paper exchange on both sides.

If New Zealand, some time after the conclusion of the war, had, like the United States, restored its exchanges and currency to a gold basis, the New Zealand exchange on London would no doubt have followed a course similar to that of the New York exchange. This would certainly have been highly inconvenient for New Zealand, the greater part of whose trade is still with Great Britain. This drawback has been avoided, but at the expense of a depreciated note currency, and a higher level of prices than would otherwise have obtained. There has never been any suggestion by the authorities of New Zealand taking independent action and placing her currency and exchanges again on a gold basis. It would appear that we must await the achievement of this result by Great Britain, to whom we have attached ourselves in this matter much as if we were an English county. Other parts of the Empire are in much the same position. Thus England's problem is not merely that of restoring her own currency, but incidentally those of a large portion of the Empire. Lately, owing to the large imports and the difficulty of financing them, the exchange on London has risen by successive stages to a premium of 3 per cent. for telegraphic transfers. The result of this, so long as it lasts, must be to depreciate the local notes in relation to English notes, and to tend to raise or diminish the fall of prices in New Zealand.

In one respect the Government has fallen from grace in dealing with the currency. The law provided that the banks should have authority to issue notes equal to their total holdings in New Zealand of coin, bullion, and public securities. The country went through the war without any alteration in this provision. The note issue was greatly increased, but, as has been pointed out, the large holdings of gold allowed of this being done in accordance with the law. It is only lately that the Government has thought it

Currency

advisable, under pressure from the banks, to make any breach in the provision against an undue issue of notes. When the loan for the settlement of soldiers was issued, authority was given to the banks to issue notes to the value of advances made against subscription to this loan. This has been closely followed by another extension. With the fall in its price it was thought desirable that farmers should be induced to hold their wool, and not sacrifice it at too low prices, and advances were to be made to the farmers by the banks and guaranteed by the Government. Mr. Beauchamp, Chairman of the Bank of New Zealand, urged that this plan "would naturally tend to curtail credit in other directions." This difficulty has been overcome by now further authorising the banks to issue notes up to the amount of their advances on wool. We thus see that the banks are satisfied they cannot extend their credit safely without a larger basis of legal-tender currency, and that the present Government is not averse to admitting loan-scrip and wool along with gold and public securities as a reserve for an enlarged issue. The process may go no further, but on the other hand it may. Even if it does not, the increased currency and credit for the time being will be an influence antagonistic to any reduction in the cost of living. Yet the Prime Minister, not very long ago, publicly expressed his opinion that the inflation of currencies was largely, if not mainly, responsible for the increase in such cost, and later said he would not be a party to increasing the issue of notes. And this serious breach in the line of defence against inflation has been made, not during the strain and impetuosity of war, but deliberately in peace, when other nations, who have been forced far along the same path, are making efforts to retrace their steps.

New Zealand

IX. THE IMPERIAL CONFERENCE

QUITE recent developments make it advisable to add to an article, that was intended to be purely financial, a few words about the approaching Imperial Conference. Opinion has been to some extent focused on Imperial matters, by the last utterance of Lord Milner as Secretary of State. The whole question of the relationship of the several parts of the Empire to one another and to the whole was raised, and the onus practically put upon the overseas members to suggest a basis of future partnership. The idea of taking any risk of possibly drifting apart is not entertained in New Zealand. To quote the words of the *New Zealand Herald* :—

As international society is now organised the British nations cannot afford to do without each other. The loss of the Dominions would be a serious blow to the United Kingdom. The loss of the United Kingdom would be an irreparable blow to the Dominions. It would leave them helpless in an unfriendly world, unable to stand alone, or even together, and forced to seek safety in a foreign alliance which might, and probably would, contain more real subservience than ever marked the relations of the Dominions with their parent State. The Empire might passively drift into such a separation ; it is impossible to suppose that British peoples would ever actively seek it. The issues before the forthcoming conference may therefore be narrowed down to those of organic union or friendly co-operation with improved means of consultation. The first is the ideal to which racial instinct will most readily quicken ; at the same time it is the course set with the greatest political dangers. It involves a common executive for the Empire, and logically a common Legislature, with full authority in the sphere of foreign relations, including defence. That such machinery will eventually be established is highly probable, but it will be difficult to establish, and the risk of making a wrong or a premature start is greater than any of the advantages of haste. For this reason the statesmen of the Empire will almost certainly favour the alternative of improving the machinery of consultation, maintaining meantime the forms of union which have the sanction of time, inconsistent though they be in

The Imperial Conference

theory with the independence of the Dominions, and dependent though they be upon the tact and forbearance of the United Kingdom Cabinet.

It would be perhaps impossible briefly to summarise more perfectly the best opinion in New Zealand.

The *Wellington Post*, representing the Capital city, is equally outspoken, and proposes a practical proof of our sincerity. In suggesting a declaration of principles from Mr. Massey it remarks that—

even so eminently safe a proposition as a declaration of New Zealand's faith in the Empire and her determination to be a party to nothing that could imperil its unity might not be amiss. Before the Peace Conference such a declaration might have been a superfluity, but the independent representation of the Dominions on the League of Nations has established tendencies with which New Zealand has no sympathy and which must be jealously watched. Next to this general declaration of faith, which is open to no objection except that it is too obvious, might come an equally emphatic assertion that, having attained to the dignity of nationhood, we are no longer content to enjoy the privileges of the Empire without undertaking our fair share of its burdens. To the cost of the British Navy, which saved the Empire and the world, the Dominions, with the exception of Australia, were contributing practically nothing before the war, and they are contributing practically nothing now. The request for the abolition of this injustice should come from the Dominions themselves. An immediate and emphatic declaration from New Zealand on the subject would be of more value than anything that could be said on our behalf at the Conference.

Mr. Massey, too, made a statement at a party meeting on February 14, although it was by no means a party statement. "Another point," he said, "he would have to look after—another great point—was that of the Imperial connection with the Dominions. The Dominions, as far as he was concerned, were not independent nations who could do what they liked, and what little influence he could use would be used in the direction of a United Empire. Our very existence in the Pacific depended upon a united

New Zealand

Empire, and the existence of that Empire depended on the supremacy of the British Navy."

A cablegram that has been received from Mr. Lloyd George, through the Secretary of State for the Colonies, states that the matters to be dealt with at the coming Imperial Conference were of such urgent importance that New Zealand should be represented by the Prime Minister and asking that Mr. Massey should be present if at all possible. It had been intended that Sir Francis Bell, who would have served any but the most extraordinary occasion, should represent New Zealand. The Cabinet decided that Parliament should be convened on March 10, so that, if it approved, the necessary arrangements may be made. According to Mr. Massey, this early session of Parliament will be only a short one, lasting a week or ten days, the sole object being to decide whether to accept the invitation and to vote the necessary supplies, but there is a demand that Parliament should also consider the policy to be adopted at the Conference. There is no doubt about Mr. Massey's attending the Conference; public opinion is quite clear on that point.

New Zealand. February, 1921



